

FRANCES BAARD

DISTRICT MUNICIPALITY



[These financial statements have been audited]

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

Index

General information	1 - 2
Approval of Annual Financial Statements	3
Report of the Auditor General	4 - 10
Statement of Financial Position	11
Statement of Financial Performance	12
Statement of Changes In Net Assets	13
Cash Flow Statement	14
Statement of comparison of budget and actual amounts - Statement of financial position	15 - 16
Statement of comparison of budget and actual amounts - Statement of financial performance	17 - 18
Statement of comparison of budget and actual amounts - Capital Expenditure	19
Statement of comparison of budget and actual amounts - Cash flow statement	20 - 21
Reconciliation of Budget Surplus/(Deficit) With The Surplus/(Deficit) In The Statement of Financial Performance	22
Accounting Policies	23 - 38
Notes to the Financial Statements	39 - 83

APPENDICES - Unaudited

A	Schedule of External Loans	84
B	Analysis of Non-Current Assets	85
C	Segmental Statement of Financial Performance	86
D	Appropriation Statement	87 - 88
E	Remuneration of Management	89 - 92
F	Segmental Analysis of Financial Performance	93- 94

Annual Financial Statements for the year ended 30 June 2018

Country of origin and legal form	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)		
Jurisdiction	The Frances Baard Municipality includes the following areas: Sol PlaatjieGrade 6 PhokwaneGrade 3 DikgatlongGrade 2 MagarengGrade 2		
Nature of business	Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)		
Capacity of district authority	Medium capacity		
Municipal demarcation code	DC9		
Management structure	The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.		
Municipal manager	Ms. ZM Bogatsu		
Chief financial officer	Vacant		
Other heads of departments	Director: Administration Director: Planning & Development Director: Infrastructure Services	Mrs. KG Gaborone Vacant Vacant	
Registered office	51 Drakensberg Avenue Carters Glen Kimberley		
External auditors	Auditor-General of South Africa Private Bag X5013 Kimberley		
Internal auditors	The Internal Audit section was fully staffed and operational during the financial year. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.		
Members of the audit committee	Mr. WMS Calitz Mr. T Mogoli Mr. G Botha	Chairperson Member Member	

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

General information

Principal banker	Standard Bank Cnr of Bultfontein & Lennox Street Po Box 626 Kimberley 8300	
Relevant legislation	Municipal Finance Management Act Division of Revenue Act The Income Tax Amendment Act Value Added Tax Amendment Act Municipal Structures Act Municipal Systems Act Municipal Planning and Performance Management Regulations Housing Act Skills Development Levies Amendment Act Employment Equity Act Unemployment Insurance Act Basic Conditions of Employment Act Supply Chain Management Regulations	
Executive Mayor	Mr P Marekwa	Proportional
Speaker	Ms U Buda	Sol Plaatje Municipality
Mayoral Committee	Mr M Mokgatlhanyane Ms C Mothibi Ms M Mathe Ms M Motsamai Ms BV Ximba	Proportional Proportional Proportional Proportional Proportional
MPAC Chairperson	Ms D Bishop	Sol Plaatje Municipality
Part Time Councillors	Vacant Mr M Kaars Ms D Benjamin Mr P Louw Ms A Siwisa Ms A Moremong Mr J Musie Ms D Setlholo Mr B Springbok Ms KM Sebegu Ms L Duba Ms M Beylefeld Mr S Griqua Mr S N Kika Ms LN Shushu Mr D M Macinga Ms M A Mahutie Ms H Morometse Mr K Zalisa	Proportional Proportional Proportional Proportional Proportional Phokwane Municipality Phokwane Municipality Proportional Proportional Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Dikgatlong Dikgatlong Phokwane Municipality Magareng

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018 which are set out on pages 1 to 94 in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Management has concluded that the financial statements present fairly the municipality's financial position, financial performance and cash flows for the year ended 30 June 2018.

The annual financial statements set out on pages 1 to 94, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on her behalf by:



Ms. ZM Bogatsu
Municipal Manager

31-Aug-18

Date

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Frances Baard District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Frances Baard District Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Frances Baard District Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material underspending

7. As disclosed in the statement of comparison of budget information and actual amounts, the municipality has materially underspent the overall expenditure budget to the amount of R32 644 495

Irregular expenditure

8. As disclosed in note 38.3 to the financial statements, irregular expenditure to the amount of R3 551 500 was incurred due to non-compliance with SCM Regulations.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting officer is responsible for assessing the Frances Baard District Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on

the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priority	Pages in the annual performance report
KPA 1: Sustainable municipal infrastructure development and basic services	X – X

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

KPA 1: Sustainable municipal infrastructure development and basic services

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for this development priority.

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 1: Sustainable municipal infrastructure development and basic services. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance and annual report

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA . Material misstatements of non-current assets, current assets and disclosures identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

26. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c).

27. A person in service of the municipality whose business partners had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e) and the code of conduct for councillors issued in terms of the Municipal Systems Act.

Other information

28. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
33. Material misstatements were identified in the annual financial statements and the annual performance report. These misstatements were subsequently corrected by the municipality resulting in the unqualified audit opinion expressed. As a result, the processes in place at the municipality were not effective in identifying the material misstatements identified by the auditor.
34. Monitoring of compliance by management was not sufficient as material non-compliance was identified by the auditor.

Auditor General

Kimberley

29 November 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the [municipality]’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Frances Baard District Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

		Actual	
	Note	2018	2017
		R	Restated R
ASSETS			
Current Assets		63 832 831	66 848 774
Inventories	2	341 561	337 673
Receivables from Exchange Transactions	3	1 883 331	1 772 108
VAT Receivable	4	3 663 078	3 362 592
Investments	5	6 050 000	10 450 000
Cash and Cash Equivalents	6	51 071 805	50 102 119
Operating Lease Receivables	7	4 056	5 282
Current Portion of Long-term Receivables	8	819 000	819 000
Non-Current Assets		58 161 176	58 653 683
Property, Plant and Equipment	9	49 389 894	49 311 261
Intangible Assets	10	579 865	597 005
Heritage Assets	11	631 417	631 417
Long-term Receivables	12	7 560 000	8 114 000
Total Assets		121 994 008	125 502 457
LIABILITIES			
Current Liabilities		17 718 740	24 889 511
Consumer Deposits	13	570	570
Provisions	14	8 490 003	8 994 111
Payables from Exchange Transactions	15	6 566 088	13 244 099
Unspent Conditional Grants and Receipts	16	206 662	471 699
Current Portion of Long-term Liabilities	17	2 455 416	2 179 033
Non-Current Liabilities		28 489 808	32 185 589
Long-term Liabilities	17	-	2 484 589
Employee Benefit Liabilities	18	28 380 898	29 586 999
Non-current Provisions	19	108 910	114 001
Total Liabilities		46 208 548	57 075 099
Total Assets and Liabilities		75 785 460	68 427 357
NET ASSETS			
Reserves	20	27 732 436	27 996 397
Accumulated Surplus / (Deficit)	21	48 053 024	40 430 960

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

		Actual	
	Note	2018 R	2017 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Transfers and Subsidies	22	117 698 568	114 012 528
Revenue from Exchange Transactions			
Sales of Goods and Rendering of Services	23	285 736	140 709
Rental from Fixed Assets	24	1 003 158	1 009 828
Interest, Dividends and Rent on Land Earned	25	5 830 289	6 805 233
Total Revenue		124 817 752	121 968 299
EXPENDITURE			
Employee Related Costs	26	57 917 444	59 488 404
Remuneration of Councillors	27	6 566 732	5 950 489
Depreciation and Amortisation	28	3 877 476	3 926 513
Impairment Losses	29	88 121	2 219
Interest, Dividends and Rent on Land	30	451 109	673 822
Contracted Services	31	12 504 137	9 628 704
Inventory Consumed	32	1 454 790	5 207 187
Transfers and Subsidies Paid	33	24 795 809	38 663 697
Operational Costs	34	9 858 846	13 439 011
Loss on Disposal of Property, Plant and Equipment	35	29 393	429 444
Total Expenditure		117 543 857	137 409 490
SURPLUS / (DEFICIT) FOR THE YEAR		7 273 895	(15 441 191)
Refer to Budget Statement for explanation of budget variances			

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Capital Replacement Reserve	Revaluation Reserve	Total Funds & Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
	R	R	R	R	R
2017					
Balance at 30 June 2016	15 281 795	20 303 275	35 585 070	48 283 478	83 868 548
Change in Accounting Policy (Note N/A)			-	-	-
Correction of Error (Note 36)	-	-	-	-	-
Restated Balance	15 281 795	20 303 275	35 585 070	48 283 478	83 868 548
Surplus / (Deficit) for the year			-	(15 441 191)	(15 441 191)
Other Transfers to/from Accumulated Surplus			-	-	-
Transfers to/from Accumulated Surplus	(7 324 713)	(263 961)	(7 588 674)	7 324 713	(263 961)
Transfers to/from Reserves	-	-	-	-	-
Depreciation Offsets	-	-	-	263 961	263 961
Balance at 30 June 2017	7 957 082	20 039 314	27 996 397	40 430 960	68 427 356
2018					
Change in Accounting Policy (Note N/A)			-	-	-
Correction of Error (Note 36)			-	84 208	84 208
Restated Balance	7 957 082	20 039 314	27 996 397	40 515 168	68 511 565
Surplus / (Deficit) for the year			-	7 273 895	7 273 895
Other Transfers to/from Accumulated Surplus			-	-	-
Transfers to/from Accumulated Surplus	-	(263 961)	(263 961)	-	(263 961)
Transfers to/from Reserves	-	-	-	-	-
Depreciation Offsets	-	-	-	263 961	263 961
Balance at 30 June 2018	7 957 082	19 775 353	27 732 436	48 053 024	75 785 460

Details on the movement of the Funds and Reserves are set out in Note 20 and Note 21.

FRANCES BAARD DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

		Actual	
	Note	2018	2017
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers and Subsidies		117 433 532	111 410 567
External Interest and Dividends Received		5 830 289	6 805 233
Other Receipts		681 170	3 236 680
VAT Receivable / Payable		-	2 031 238
Payments			
Employee Related Costs		(59 339 805)	(58 349 053)
Remuneration of Councillors		(6 566 732)	(5 950 489)
External Interest and Dividends Paid		(451 109)	(673 822)
Suppliers Paid		(20 680 405)	(11 728 493)
Other Payments		(34 654 655)	(52 122 703)
VAT Receivable / Payable		(300 486)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		1 951 799	(5 340 842)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(3 716 156)	(7 352 599)
Purchase of Intangible Assets	10	(149 000)	-
Proceeds on Disposal of Property, Plant and Equipment	35	33 142	(1)
Decrease / (Increase) in Current Investments	5	4 400 000	(4 900 000)
Decrease / (Increase) in Long-term Receivables	13	554 000	406 000
NET CASH FLOWS FROM INVESTING ACTIVITIES		1 226 092	(11 846 599)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	17	(2 208 206)	(1 985 494)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2 208 206)	(1 985 494)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		969 686	(19 172 935)
Cash and Cash Equivalents at Beginning of Period		50 102 119	69 275 054
Cash and Cash Equivalents at End of Period	6	51 071 805	50 102 119

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

30 June 2018

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Actual > Budget	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION										
Current Assets										
Inventories	300 000	37 673	337 673	-	337 673	341 561	-	3 888	101,15	113,85
Receivables from Exchange Transactions	2 000 000	3 135 490	5 135 490	-	5 135 490	1 883 331	-	(3 252 159)	36,67	94,17
VAT Receivable	-	-	-	-	-	3 663 078	-	3 663 078	0,00	0,00
Cash and Cash Equivalents	45 903 607	(18 715 427)	27 188 180	-	27 188 180	51 071 805	-	23 883 626	187,85	111,26
Operating Lease Receivables	-	-	-	-	-	4 056	-	4 056	0,00	0,00
Current Portion of Long-term Receivables	741 000	78 001	819 001	-	819 001	819 000	-	(1)	100,00	110,53
Non-Current Assets										
Property, Plant and Equipment	59 173 904	(9 876 861)	49 297 043	-	49 297 043	49 389 894	-	92 851	100,19	83,47
Intangible Assets	990 454	(393 450)	597 004	-	597 004	579 865	-	(17 139)	97,13	58,55
Heritage Assets	-	-	-	-	-	631 417	-	631 417	0,00	0,00
Long-term Receivables	9 229 417	(484 000)	8 745 417	-	8 745 417	7 560 000	-	(1 185 417)	86,45	81,91
Total Assets	118 338 381	(26 218 574)	92 119 808	-	92 119 808	121 994 008	-	29 874 200	132,43	103,09
Current Liabilities										
Consumer Deposits	-	-	-	-	-	570	-	570	0,00	0,00
Provisions	-	-	-	-	-	8 490 003	-	8 490 003	0,00	0,00
Payables from Exchange Transactions	22 767 164	2 123 173	24 890 337	-	24 890 337	6 566 088	-	(18 324 249)	26,38	28,84
Unspent Conditional Grants and Receipts	-	-	-	-	-	206 662	-	206 662	0,00	0,00
Current Portion of Long-term Liabilities	-	-	-	-	-	2 455 416	-	2 455 416	0,00	0,00
Non-Current Liabilities										
Long-term Liabilities	2 486 701	(2 112)	2 484 589	-	2 484 589	-	-	(2 484 589)	0,00	0,00
Employee Benefit Liabilities	-	-	-	-	-	28 380 898	-	28 380 898	0,00	0,00
Non-current Provisions	27 524 000	2 176 999	29 700 999	-	29 700 999	108 910	-	(29 592 089)	0,37	0,40
Total Liabilities	52 777 865	4 298 060	57 075 925	-	57 075 925	46 208 548	-	(10 867 377)	80,96	87,55
Total Assets and Liabilities	65 560 516	(30 516 634)	35 043 882	-	35 043 882	75 785 460	-	40 741 577	216,26	115,60
Net Assets (Equity)										
Statutory Funds	-	-	-	-	-	-	-	-	0,00	0,00
Reserves	26 971 000	(3 890 581)	23 080 419	-	23 080 419	27 732 436	-	4 652 017	120,16	102,82
Accumulated Surplus / (Deficit)	38 589 516	(26 626 053)	11 963 463	-	11 963 463	48 053 024	-	36 089 561	401,66	124,52
Total Net Assets	65 560 516	(30 516 634)	35 043 882	-	35 043 882	75 785 460	-	40 741 578	216,26	115,60

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Receivables from Exchange Transactions:

The budget is underspent as the adjustment budget includes the VAT receivable of R3 135 000.

VAT Receivable:

The budget is overspent as the adjustment budget includes the VAT receivable as part of Receivables from Exchange Transactions of R3 135 000.

Cash and Cash Equivalents:

The variance is due to an improvement in cash flow which result from increased investments and lower spending as a result of cost containment measures implemented.

Operating Lease Receivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Intangible Assets:

The variance is due to savings on capital spending and procurement on other capital items did not materialise.

Heritage Assets:

NT Budget Template not aligned to GRAP and does not provide for Heritage Assets. Budget was captured under other assets.

Long-term Receivables:

The variance is due to the outcome from the actuarial valuation which is based on the fair value method of calculation.

Provisions:

The variance is due to the budget amount being included under trade payables.

Payables from Exchange Transactions:

The variance is due to the expenditure amount which excludes provisions.

Unspent Conditional Grants and Receipts:

The variance is due to the budget amount being included under trade payables.

Current Portion of Long-term Liabilities:

The variance is due to the budget amount being included under trade payables.

Long-term Liabilities:

Loan is due to be settled 18/19 that is why there is no movement to date.

Retirement Benefit Liabilities:

Under budgeted for Employee Benefit Liabilities due to a cap amount incorrectly applied to retired employees that influence the valuation.

Non-current Provisions:

It was under-budgeted for Provision for Rehabilitation of Landfill Sites, which were restated during the current financial year.

Reserves:

The variance is due to the decrease in the reserve being lower than anticipated.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions										
Transfers and Subsidies	118 569 000	128 910	118 697 910	128 910	118 826 820	117 698 568	-	(1 128 252)	99,05	99,27
Revenue from Exchange Transactions										
Sales of Goods and Rendering of Services	500 000	-	500 000	-	500 000	285 736	-	(214 264)	57,15	57,15
Rental from Fixed Assets	1 227 260	-	1 227 260	-	1 227 260	1 003 158	-	(224 102)	81,74	81,74
Interest, Dividends and Rent on Land Earned	5 262 000	-	5 262 000	-	5 262 000	5 830 289	-	568 289	110,80	110,80
Gains on Disposal of Property, Plant and Equipment	2 029 330	(2 029 330)	-	(2 029 330)	(2 029 330)	-	-	2 029 330	0.00	0.00
Total Revenue	127 587 590	(1 900 420)	125 687 170	(1 900 420)	123 786 750	124 817 752	-	1 031 002	100,83	97,83
Expenditure										
Employee Related Costs	65 844 680	5 394 880	71 239 560	5 394 880	76 634 440	57 917 444	-	(18 716 996)	75,58	87,96
Remuneration of Councillors	6 369 050	6 910	6 375 960	6 910	6 382 870	6 566 732	183 862	183 862	102,88	103,10
Depreciation and Amortisation	3 290 420	-	3 290 420	-	3 290 420	3 877 476	587 056	587 056	117,84	117,84
Impairment Losses	3 000	-	3 000	-	3 000	88 121	85 121	85 121	2 937,35	2 937,35
Interest, Dividends and Rent on Land	487 000	-	487 000	-	487 000	451 109	-	(35 891)	92,63	92,63
Contracted Services	19 234 780	411 320	19 646 100	411 320	20 057 420	12 504 137	-	(7 553 283)	62,34	65,01
Inventory Consumed	1 061 210	243 780	1 304 990	243 780	1 548 770	1 454 790	-	(93 980)	93,93	137,09
Transfers and Subsidies Paid	22 994 500	3 129 613	26 124 113	3 129 613	29 253 726	24 795 809	-	(4 457 917)	84,76	107,83
Operational Costs	17 743 190	(3 371 743)	14 371 447	(3 371 743)	10 999 704	9 858 846	-	(1 140 858)	89,63	55,56
Statutory Payments other than Taxes	250 000	-	250 000	-	250 000	-	-	(250 000)	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	250 000	-	250 000	-	250 000	29 393	-	(220 607)	11,76	11,76
Total Expenditure	137 527 830	5 814 760	143 342 590	5 814 760	149 157 350	117 543 857	856 039	(31 613 493)	78,81	85,47
Surplus/(Deficit for the Year)	(9 940 240)	(7 715 180)	(17 655 420)	(7 715 180)	(25 370 600)	7 273 895	(856 039)	32 644 495	-	-

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Sales of Goods and Rendering of Services:

The sale of goods and rendering of services was less than expected due to the low demand for the goods & services.

Rental from Fixed Assets:

The rental of facilities and equipment was less than expected due to the low demand for the services.

Interest, Dividends and Rent on Land Earned:

The income from external investments was more than anticipated as more money was invested in call accounts during the financial year.

Gains on Disposal of Property, Plant and Equipment:

No gains were made on disposal of fixed assets sold during the year.

Employee Related Costs:

The under spending on the employee related cost is due to the vacant positions which have not been filled.

Depreciation and Amortisation:

The depreciation & amortisation on assets was higher than expected due to acquisition of new assets.

Impairment Losses:

No debtors were impaired for the year, as debtors are deemed to be able to repay the municipality.

Contracted Services:

Savings realised by not appointing unnecessary contractors due to cost containment measures. Repairs and Maintenance Budget is included under Contracted Services.

Transfers and Subsidies Paid:

The budgeted amount is more than the actual as cost containment played a role in the under expenditure and the requests received from local municipalities was lower than expected.

Operational Costs:

Operational cost was less than the budgeted amount due to cost containment measures implemented during the financial year.

Loss on Disposal of Property, Plant and Equipment:

The loss on disposal of PPE was lower than anticipated.

Additional funds were received after the finalisation of the Adjustment Budget, late February to June 2016, which resulted in the major portion of the virements recorded in the table above.

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION										
Executive and Council	194 500	-	194 500	-	194 500	74 100	-	(120 400)	38,10	38,10
Finance and Administration	2 030 400	62 789	2 093 189	-	2 093 189	394 814	-	(1 698 375)	18,86	19,45
Community and Social Services	10 500	-	10 500	-	10 500	3 986	-	(6 514)	37,97	37,97
Environmental Protection	5 000	-	5 000	-	5 000	2 430	-	(2 570)	48,61	48,61
Planning and Development	7 846 500	2 000 000	9 846 500	-	9 846 500	3 240 825	-	(6 605 675)	32,91	41,30
Total Capital Expenditure	10 086 900	2 062 789	12 149 689	-	12 149 689	3 716 156	-	(8 433 533)	30,59	36,84

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Executive and Council:

Savings realised on capital items budgeted for and not procured.

Finance and Administration:

Savings realised on capital items budgeted for and not procured - Budget rolled over to 2018/19 for procurement.

Corporate Services:

Savings realised on capital items budgeted for and not procured - Budget rolled over to 2017/18 for completion of water tanker.

Community and Social Services:

Savings realised on capital items budgeted for and not procured.

Planning and Development:

Savings realised on capital items budgeted for and not procured - Budget rolled over to 2018/19 for procurement for new offices.

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
CASH FLOW										
Cash Flows from/(used in) Operating Activities										
Property Rates	-	-	-	-	-	-	-	-	0.00	0.00
Transfers and Subsidies	118 401 000	128 910	118 529 910	-	118 529 910	117 433 532	(1 096 378)	99,08	99,08	99,18
External Interest and Dividends Received	5 262 000	-	5 262 000	-	5 262 000	5 830 289	568 289	110,80	110,80	110,80
Other Receipts	588 000	-	588 000	-	588 000	681 170	93 170	115,85	115,85	115,85
VAT Receivable / Payable	-	-	-	-	-	-	-	0.00	0.00	0.00
Employee Related Costs	(66 558 180)	(1 448 200)	(68 006 380)	-	(68 006 380)	(59 339 805)	8 666 575	0.00	0.00	0.00
Remuneration of Councillors	(6 369 050)	318 453	(6 050 598)	-	(6 050 598)	(6 566 732)	(516 135)	0.00	0.00	0.00
External Interest and Dividends Paid	(487 000)	-	(487 000)	-	(487 000)	(451 109)	35 891	0.00	0.00	0.00
Suppliers Paid	(15 586 990)	(716 369)	(16 303 359)	-	(16 303 359)	(20 680 405)	(4 377 046)	0.00	0.00	0.00
Other Payments	(42 703 860)	2 659 750	(40 044 110)	-	(40 044 110)	(34 654 655)	5 389 455	0.00	0.00	0.00
VAT Receivable / Payable	-	-	-	-	-	(300 486)	(300 486)	0.00	0.00	0.00
Cash Flows from/(used in) Investing Activities										
Purchase of Property, Plant and Equipment	(10 086 900)	(3 962 810)	(14 049 710)	-	(14 049 710)	(3 716 156)	10 333 554	0.00	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	(149 000)	(149 000)	0.00	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	0.00	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	-	0.00	0.00	0.00
Purchase of Biological Assets	-	-	-	-	-	-	-	0.00	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	33 142	33 142	0.00	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	104 106	104 106	0.00	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	0.00	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	0.00	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	0.00	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	0.00	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	554 000	554 000	0.00	0.00	0.00
Cash Flows from/(used in) Financing Activities										
Proceeds from Borrowings	-	-	-	-	-	-	-	0.00	0.00	0.00
Repayment of Borrowings	(2 223 632)	-	(2 223 632)	-	(2 223 632)	(2 208 206)	15 426	0.00	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	0.00	0.00	0.00
Cash and Cash Equivalents at End of the Year	(19 764 612)	(3 020 267)	(22 784 879)	-	(22 784 879)	(3 430 314)	-	19 354 565	0.00	0.00

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

External Interest and Dividends Received:

The interest received from investments was higher than anticipated due to increase in investments made during the year.

Other Receipts:

Income from other receipts was higher than anticipated.

Employee Related Costs:

The variance is due to the vacancies which could not be filled for the year under review.

Remuneration of Councillors:

The variance is due to increase in councillor upper limits.

External Interest and Dividends Paid:

Over budgeted for external interest paid as interest on DBSA loan was lower than expected.

Suppliers Paid:

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Other Payments:

It was not budgeted for Interest and Penalties on late payments made.

VAT Receivable / Payable:

NT Budget Template not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

Purchase of Property, Plant and Equipment:

It was not budgeted for the effect of changes in outstanding payables.

Purchase of Intangible Assets:

Purchase of Property, Plant and Equipment from roll overs from 2017/18 increased the actual outcome.

Decrease / (Increase) in Long-term Receivables:

It was not budgeted for the change in Long-term Receivables.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2017/18		2016/17
	R		R
Net surplus/(deficit) per the statement of financial performance	7 273 895		(15 441 191)
Revenue from Non-exchange Transactions			
Transfers and Subsidies	1 128 252		(822 006)
Revenue from Exchange Transactions			
Sales of Goods and Rendering of Services	214 264		(40 709)
Rental from Fixed Assets	224 102		71 285
Interest, Dividends and Rent on Land Earned	(568 289)		(1 061 883)
Gains on Disposal of Property, Plant and Equipment	(2 029 330)		30 000
Expenditure			
Employee Related Costs	(18 716 996)		(3 543 512)
Remuneration of Councillors	183 862		(666 141)
Depreciation and Amortisation	587 056		99 893
Impairment Losses	85 121		(781)
Finance Costs	(35 891)		(97 178)
Contracted Services	(7 553 283)		(3 727 386)
Inventory Consumed	(93 980)		(1 882 830)
Grants and Subsidies Paid	(4 457 917)		(8 920 555)
Operational Costs	(1 140 858)		(5 652 109)
Statutory Payments other than Taxes	(250 000)		(210 000)
Loss on Disposal of Property, Plant and Equipment	(220 607)		219 444
Net surplus/deficit per approved budget	(25 370 600)		(41 645 660)

FRANCES BAARD DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No.

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 *Presentation Currency*

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.2 *Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2017 and 30 June 2018 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

1.3 *Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial

1.3.1 *Revenue Recognition*

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.3.2 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.3.3 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, and 5.2, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy N/A on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 9 and 10 to the Annual Financial Statements, if applicable.

1.3.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Assumption*.

1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting (effective 1 April 2020)
- GRAP 20 Related Party Disclosures (effective 1 April 2019)
- GRAP 32 Service Concession Arrangement Grantor (effective 1 April 2019)
- GRAP 108 Statutory Receivables (effective 1 April 2019)
- GRAP 109 Accounting by Principals and Agents (effective 1 April 2019)
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate disclosure:

- GRAP 20 Related Party Disclosures

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality, except for:

- GRAP 108 Statutory Receivables:-
It is expected that the Standard will affect the valuation of Receivables from Non-Exchange Transactions, but the extent cannot be determined at this stage.
- GRAP 109 Accounting by Principals and Agents:-
The effect of this Standard on accounting for transactions between the municipality, another function of government or private sector and third parties, can only be determined once it becomes effective.

2. NET ASSETS

2.1.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. Subsequent adjustments to the Revaluation Reserve are made in accordance with GRAP 17 (Property, Plant and Equipment).

2.1.2 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in Surplus or Deficit and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement

Plant and Equipment

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Revaluation Model:

Buildings and Land

During the current year the municipality opted to adopt the application of the *Revaluation Model* for its buildings and land based on the conclusion that this is the more prudent approach for the municipality to follow.

Subsequent to initial recognition Buildings and Land are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by experienced valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years
	Community	
	Security Measures	5 - 10
	Land and Buildings	
	Land	Indefinite
	Buildings	5-32
	Other	
	Computer Equipment	5 - 27
	Emergency Equipment	5 - 27
	Furniture and Fittings	4 - 30
	Motor Vehicles	5 - 15
	Office Equipment	5 - 27
	Plant and Machinery	4 - 17

3.4 Land

Land is stated at fair value and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.6 Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

4. HERITAGE ASSETS

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

4.1 Initial Recognition

Heritage Assets are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

4.2 Subsequent Measurement

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Heritage Assets is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with GRAP 31 (*Intangible Assets*). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s)

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software	10
	Computer Software Licences	10

5.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

6.2 Subsequent Measurement

During the current year the municipality reviewed its application of the *Fair Value Model* and concluded that based on a lack of commercial substance for such valuations, the more prudent approach for the municipality would be to carry these assets at their cost prices. The municipality has no intention of selling its land and buildings and thus the *Cost Model* would represent the value of all land and buildings more fairly. The change has resulted in the municipality's Annual Financial Statements providing reliable and more relevant information about the value of Buildings and Land, based on the intended use of these assets in line with all valuation method of all other assets.

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

6.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

8.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

8.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Financial Assets measured at Cost

Financial Assets at Cost are initially measured at the transaction amount and transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at cost less any impairment.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

8.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores distributed at no charge or for a nominal charge are valued at the lower of cost and current replacement cost. The cost is determined using the *weighted average Method*.

9.2.2 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

10. REVENUE RECOGNITION

10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

10.2 Revenue from Exchange Transactions

10.2.1 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

10.2.2 Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

10.2.3 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.3 Revenue from Non-exchange Transactions

10.3.1 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.2 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

10.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

11. PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

12. EMPLOYEE BENEFIT LIABILITIES

12.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

12.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

12.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

12.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

13. LEASES

13.1 The Municipality as Lessor

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

19. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the *First-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

21. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

24. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2017 to 30 June 2018.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
1. GENERAL INFORMATION		

Frances Baard District Municipality is a local government institution in the Northern Cape, Kimberley, and has 4 local municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2018. The principal activities of the municipality are disclosed in the Annual Report.

2. INVENTORIES

Consumables	341 561	337 673
Total Inventories	341 561	337 673
Reconciliation:		
Opening balance	337 673	303 121
Purchases	355 214	370 318
Issues	(351 326)	(335 766)
Closing Balance	341 561	337 673

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Stores issues amounted to R351 326 for the current year (2017: R335 766)

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2018			
Service Debtors:	950 367	88 121	862 247
Other Service Charges	950 367	88 121	862 247
Prepayments and Advances	671 014	-	671 014
Rent	-	-	-
Subscriptions	671 014	-	671 014
Other Debtors	350 071	-	350 071
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	-	-	-
Total Receivables from Exchange Transactions	1 971 452	88 121	1 883 331
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Service Debtors:	326 178	-	326 178
Other Service Charges	326 178	-	326 178
Prepayments and Advances	1 246 322	-	1 246 322
Rent	565 493	-	565 493
Subscriptions	680 828	-	680 828
Other Debtors	196 310	-	196 310
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	3 297	-	3 297
Total Receivables from Exchange Transactions	1 772 108	-	1 772 108

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The impairment on debtors of R88 120,53 is based on long outstanding debtors, who owe the municipality for more than 120 days.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2018

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Other Service Charges:

Gross Balances	165 606	187 980	113 937	482 845	950 367
Less: Provision for Impairment	-	-	-	88 121	88 121
Net Balances	165 606	187 980	113 937	394 724	862 247

Prepayments and Advances:

Gross Balances	-	-	671 014	-	671 014
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	671 014	-	671 014

Other Debtors

Gross Balances	-	350 071	-	-	350 071
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	350 071	-	-	350 071

Unauthorised, Irregular, Fruitless and Wasteful:

Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

As at 30 June 2018 Receivables of R1 717 725 were past due, accounts older than 90 days were assessed and impaired in accordance with the municipal policy. The age analysis of these Receivables are as follows:

Past Due			Total Past Due
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	538 050	784 950	482 845	1 805 845
Less: Provision for Impairment	-	-	88 121	88 121
Net Balances	538 050	784 950	394 724	1 717 725

As at 30 June 2017

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Other Service Charges:

Gross Balances	(411 865)	12 900	163 696	561 448	326 178
Less: Provision for Impairment	-	-	-	-	-
Net Balances	(411 865)	12 900	163 696	561 448	326 178

Prepayments and Advances:

Gross Balances	565 493	-	680 828	-	1 246 322
Less: Provision for Impairment	-	-	-	-	-
Net Balances	565 493	-	680 828	-	1 246 322

Other Debtors

Gross Balances	-	196 310	-	-	196 310
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	196 310	-	-	196 310

Unauthorised, Irregular, Fruitless and Wasteful:

Gross Balances	-	3 297	-	-	3 297
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	3 297	-	-	3 297

As at 30 June 2017 Receivables of R1 618 480 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total Past Due
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	212 507	844 524	561 448	1 618 480
Less: Provision for Impairment	-	-	-	-
Net Balances	212 507	844 524	561 448	1 618 480

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
4. VAT RECEIVABLE		
Vat Receivable	<u>3 663 078</u>	<u>3 362 592</u>

VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201 Returns.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

5. INVESTMENTS

Total Bank deposits	<u>100 000</u>	<u>10 450 000</u>
	<u>100 000</u>	<u>10 450 000</u>
Current Investments Movement during year:		
Opening Balance	10 450 000	5 550 000
Invested	100 000	4 900 000
Redeemed/withdrawn	(4 500 000)	-
Closing Balance	<u>6 050 000</u>	<u>10 450 000</u>

Fixed deposit at Nedbank until 27 June 2019

6. CASH AND CASH EQUIVALENTS

Current Investments	51 001 000	45 501 000
Bank Accounts	67 505	4 597 819
Cash and Cash Equivalents	3 300	3 300
Total Bank, Cash and Cash Equivalents	<u>51 071 805</u>	<u>50 102 119</u>
Bank Overdraft	-	-
Net Bank, Cash and Cash Equivalents	<u>51 071 805</u>	<u>50 102 119</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
6.1 Current Investment Deposits		
Call Deposits	51 001 000	45 501 000
Total Current Investment Deposits	51 001 000	45 501 000
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6,00 % to 8,50 % (2017: 6,00 % to 8,50 %) per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 6,00 % to 8,50 % (2017: 6,00 % to 8,50 %) per annum.		
Deposits attributable to Unspent Conditional Grants	206 662	471 699
Deposits attributable to Capital Replacement Reserve.	7 957 082	7 957 082
Deposits attributable to Payables	6 566 088	13 244 099
Deposits attributable to Current Provisions	8 490 003	8 994 111
Deposits attributable to Consumer Deposits	570	570
Deposits available for Operations	27 780 594	14 833 440
Total Deposits attributable to Commitments of the Municipality	51 001 000	45 501 000
6.2 Bank Accounts		
Cash in Bank	67 505	4 597 819
Bank Overdraft	-	-
Total Bank Accounts	67 505	4 597 819
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>Standard Bank - Kimberley Business Centre - Primary Account:</i>		
Cash book balance at beginning of year	4 597 819	3 271 754
Cash book balance at end of year	67 505	4 597 819
Bank statement balance at beginning of year	5 121 872	3 271 754
Bank statement balance at end of year	1 520 139	5 121 872
The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.		
Investment Account		
ABSA - NOTICE DEPOSIT		
Cash book balance at beginning of year	7 000 000	-
Cash book balance at end of year	9 000 000	7 000 000
ABSA - CALL DEPOSIT		
Cash book balance at beginning of year	5 501 000	17 500 000
Cash book balance at end of year	3 001 000	5 501 000
Bank statement balance at beginning of year	12 501 000	17 500 000
Bank statement balance at end of year	12 001 000	12 501 000
FNB - CALL DEPOSIT		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	3 500 000	-
FNB - NOTICE DEPOSIT		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	10 000 000	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	13 500 000	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
NEDBANK - CALL DEPOSIT		
Cash book balance at beginning of year	8 000 000	20 500 000
Cash book balance at end of year	4 500 000	8 000 000
NEDBANK - NOTICE DEPOSIT		
Cash book balance at beginning of year	8 500 000	-
Cash book balance at end of year	11 000 000	8 500 000
Bank statement balance at beginning of year	16 500 000	20 500 000
Bank statement balance at end of year	15 500 000	16 500 000
RMB		
Cash book balance at beginning of year	5 000 000	12 500 000
Cash book balance at end of year	-	5 000 000
Bank statement balance at beginning of year	5 000 000	12 500 000
Bank statement balance at end of year	-	5 000 000
STANDARD BANK - NOTICE DEPOSIT		
Cash book balance at beginning of year	9 000 000	-
Cash book balance at end of year	10 000 000	9 000 000
STANDARD BANK - CALL DEPOSIT		
Cash book balance at beginning of year	2 500 000	15 500 000
Cash book balance at end of year	-	2 500 000
Bank statement balance at beginning of year	11 500 000	15 500 000
Bank statement balance at end of year	10 000 000	11 500 000

6.3 Cash and Cash Equivalents

Cash Floats and Advances	3 300	3 300
Total Cash on hand in Cash Floats, Advances and Equivalents	3 300	3 300

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

7. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	5 282	5 000
Operating Lease - Straightlining	-	281
Operating Lease Revenue effected	(1 225)	-
Total Operating Lease Receivables	4 056	5 282

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of 60 months (2017/18: 60 months), with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R44 714 (2017: R40 320). Direct operating expenses arising on the investment property in the period amounted to R0 (2017: R0).

The property rental income earned by the municipality from its Investment Property, all of which is leased out under operating leases, amounted to R44 714 (2017: R40 320).

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1 946	1 802
2 to 5 years	516	2 462
More than 5 years	-	-
Total Operating Lease Arrangements	2 462	4 264

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R0 (2017: increase of R-281) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. CURRENT PORTION OF LONG-TERM RECEIVABLES

Employee Benefits	819 000	819 000
Total Current Portion of Long-term Receivables	819 000	819 000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2018

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2017	8 105 000	29 894 169	-	311 062	11 001 030	49 311 261
Cost	8 105 000	5 651 128	-	1 153 823	27 757 072	42 667 023
- Completed Assets	8 105 000	-	-	1 153 823	26 002 937	35 261 760
- Under Construction	-	5 651 128	-	-	1 754 136	7 405 264
Revaluation	-	42 520 005	-	-	-	42 520 005
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-18 276 964	-	-842 760	-16 756 043	-35 875 767
- Cost	-	-	-	-842 760	-16 756 043	-17 598 803
- Revaluation	-	-18 276 964	-	-	-	-18 276 964
Acquisition of Assets						
- Cost	-	-	-	9 430	475 979	487 043
- Capital Under Construction	-	3 229 112	-	-	-	3 229 112
Increases/Decreases in Revaluation	-	-	-	-	-	-
Depreciation:	-	-545 249	-	-118 113	-2 912 021	-3 705 228
- Based on Cost	-	-	-	-118 113	-2 912 021	-3 025 633
- Based on Revaluation	-	-545 249	-	-	-	-679 595
Carrying value of Disposals:	-	-	-	-	-62 535	-62 535
- Cost	-	-	-	-	-877 798	-877 798
- Accumulated Depreciation	-	-	-	-	815 264	815 264
- Based on Cost	-	-	-	-	815 264	815 264
Carrying values at 30 June 2018	8 105 000	32 580 061	-	202 380	8 502 453	49 389 894
Cost	8 105 000	8 880 241	-	1 163 253	27 355 253	45 503 746
- Completed Assets	8 105 000	-	-	1 163 253	25 601 117	34 869 370
- Under Construction	-	8 880 241	-	-	1 754 136	10 634 376
Revaluation	-	42 520 005	-	-	-	42 520 005
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-18 820 184	-	-960 873	-18 852 800	-38 633 856
- Cost	-	-	-	-960 873	-18 852 800	-19 813 673
- Revaluation	-	-18 820 184	-	-	-	-18 820 184

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2017

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2016	8 105 000	27 662 091	-	322 570	10 086 790	46 176 452
Cost	8 105 000	2 655 893	-	1 050 147	25 256 098	37 067 138
- Completed Assets	8 105 000	-	-	1 050 147	25 256 098	34 411 245
- Under Construction	-	2 655 893	-	-	-	2 655 893
Correction of error (Note 36)	-	-	-	-	-	-
Change in Accounting Policy	-	-	-	-	-	-
Revaluation	-	42 520 005	-	-	-	42 520 005
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(17 513 806)	-	(727 576)	(15 169 308)	(33 410 690)
- Cost	-	-	-	(727 576)	(15 169 308)	(15 896 884)
- Revaluation	-	(17 513 806)	-	-	-	(17 513 806)
Acquisition of Assets						
- Cost	-	-	-	103 676	2 471 665	2 575 341
- Capital Under Construction	-	2 995 236	-	-	1 754 136	4 749 371
- Revaluation	-	-	-	-	-	-
Increases/Decreases in Revaluation	-	-	-	-	-	-
Depreciation:	-	(763 158)	-	(115 184)	(2 882 117)	(3 760 459)
- Based on Cost	-	-	-	(115 184)	(2 882 117)	(2 997 302)
- Based on Revaluation	-	(763 158)	-	-	-	(763 158)
Carrying value of Disposals:	-	-	-	-	(429 444)	(429 444)
- Cost	-	-	-	-	(1 724 827)	(1 724 827)
- Accumulated Depreciation	-	-	-	-	1 295 383	1 295 383
- Based on Cost	-	-	-	-	1 295 383	1 295 383
Carrying values at 30 June 2017	8 105 000	29 894 169	-	311 062	11 001 030	49 311 261
Cost	8 105 000	5 651 128	-	1 153 823	27 757 072	42 667 023
- Completed Assets	8 105 000	-	-	1 153 823	26 002 937	35 261 760
- Under Construction	-	5 651 128	-	-	1 754 136	7 405 264
Revaluation	-	42 520 005	-	-	-	42 520 005
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(18 276 964)	-	(842 760)	(16 756 043)	(35 875 767)
- Cost	-	-	-	(842 760)	(16 756 043)	(17 598 803)
- Revaluation	-	(18 276 964)	-	-	-	(18 276 964)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R **2017**
R

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

9.4 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was no change (2016/17: R0) in the estimated useful life of various assets of the municipality for the financial year.

9.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the fair value model. Revaluation is done every four years, and therefore no fair value was determined for the year under review.

9.7 Delayed Projects

Project Details	Delayed or Halted		
Infrastructure Unit:			
Project 1: Additional Offices	Delayed	(1 754 136)	5 651 128
Reason: Project experienced some delays and went beyond the projected completion date. These delays are beyond the control of the municipality, however the projects will be completed within the cost limits of the original contract amounts.			
Fire Fighting & Disaster Management			
Project 1: Water Tanker	Delayed	1 754 136	#REF!
Reason: Project experienced some delays in completing the project by the projected due date. These delays are beyond the control of the municipality, however the projects will be completed within the cost limits of the original contract amounts.			

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

9.8 Expenditure incurred to repair and maintain

2018 **2017** **2018** **2017**
R **R** **R** **R**

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Information and Communication Infrastructure			37 617	-
- Contracted Services	37 617	-		
Computer Equipment			18 682	123 353
- Contracted Services	18 682	123 353		
Furniture and Office Equipment			422 580	441 620
- Contracted Services	422 580	441 620		
Heritage Assets			-	-
- Contracted Services	-	-		
Machinery and Equipment			274 058	239 110
- Contracted Services	274 058	239 110		
Other Assets - Buildings			330 129	333 623
- Contracted Services	322 728	333 623		
- Other Operational Costs	7 401	-		
Transport Assets			47 510	467 755
- Contracted Services	47 510	467 755		
Total Expenditure related to Repairs and Maintenance Projects			1 130 577	1 605 461

Total Repairs and Maintenance related to assets of Frances Baard District Municipality

1 130 577 **1 605 461**

10 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

579 865 **597 005**

The movement in Intangible Assets is reconciled as follows:

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

579 865 **597 004**

The movement in Intangible Assets is reconciled as follows:

	Software Purchased	Total
Carrying values at 01 July 2017	597 004	597 004
Cost	1 555 958	1 555 958
Accumulated Amortisation	(958 954)	(958 954)
Acquisitions:	149 000	149 000
Purchased	149 000	149 000
Amortisation:	(166 139)	(166 139)
Purchased	(166 139)	(166 139)
Internally Developed	-	-
Carrying values at 30 June 2018	579 865	579 865
Cost	1 704 958	1 704 958
Accumulated Amortisation	(1 125 093)	(1 125 093)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
	Software Purchased	Total
Carrying values at 01 July 2016	763 058	763 058
Cost	1 600 854	1 600 854
Accumulated Amortisation	(837 795)	(837 795)
Acquisitions:	-	-
Amortisation:	(166 053)	(166 053)
Purchased	(166 053)	(166 053)
Disposals:	(1)	(1)
At Cost	(44 896)	(44 896)
At Accumulated Amortisation	44 895	44 895
Carrying values at 30 June 2017	597 004	597 004
Cost	1 555 958	1 555 958
Accumulated Amortisation	(958 954)	(958 954)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 28).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

10.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

10.8 Expenditure incurred to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	1 940 338	2 330 324
	1 940 338	2 330 324

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11 HERITAGE ASSETS

30 June 2018

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2017	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2018	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

11 HERITAGE ASSETS (Continued)

30 June 2017

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2016	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2017	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11 HERITAGE ASSETS (Continued)

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

11.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

11.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

11.3 Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

11.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

12.8 Expenditure incurred to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	-	345
Inventory Consumed	-	-
Labour	-	-
Other Operational Costs	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
		345

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
12 LONG-TERM RECEIVABLES		
Employee Benefits	8 379 000	8 933 000
Total Long Term Receivables	<u>8 379 000</u>	<u>8 933 000</u>
Less: Current Portion transferred to Current Receivables:- Employee Benefits	819 000	819 000
	<u>819 000</u>	<u>819 000</u>
Non-Current Potion of Long Term Receivables	<u><u>7 560 000</u></u>	<u><u>8 114 000</u></u>

EMPLOYEE BENEFITS RECEIVABLES

Municipality managed an agency service on behalf of the Department of Roads and Public Works until 30 June 2011. The service has been transferred back to the department from 01 July 2011. As per the agreement, the municipality will continue payment of the post-service medical aid premiums of the retired employees to the service provider. The department will refund the employees portion of the instalment and the members will be responsible for the employee portion. Outstanding amounts are treated as receivables from non-exchange transactions. The receivables is valued by actuaries on a yearly basis which forms part of the analysis as per the employee benefits, refer to note 21.

13 CONSUMER DEPOSITS

Other Deposits	570	570
Rental Properties	<u>570</u>	<u>570</u>
Total Consumer Deposits	<u><u>570</u></u>	<u><u>570</u></u>

CONSUMER DEPOSITS - RENTAL PROPERTIES

Consumer deposits comprise deposits for properties rented out by the municipality.

No interest is paid on Consumer Deposits held.

14 PROVISIONS

Performance Bonus	281 430	534 788
Current Portion of Employee Benefit Liabilities (See Note 18):	2 124 000	2 441 000
Post-retirement Medical Aid Benefits Liability	<u>2 004 000</u>	<u>2 024 000</u>
Long-term Service Liability	<u>120 000</u>	<u>417 000</u>
Current Portion of Non-Current Provisions (See Note 20):	6 084 573	6 018 323
Ex-gratia Pension	<u>35 000</u>	<u>35 000</u>
Leave	<u>6 049 573</u>	<u>5 983 323</u>
Total Provisions	<u><u>8 490 003</u></u>	<u><u>8 994 111</u></u>

The movement in provisions is reconciled as follows:

Current Provisions:

Performance Bonus:

Opening Balance	534 788	423 018
Increases	-	653 076
Reductions	(257 851)	(541 306)
Reversals	4 493	-
Balance at end of year	<u><u>281 430</u></u>	<u><u>534 788</u></u>

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Medical Aid R	Long-term Service R
30 June 2018		
Opening Balance	2 024 000	417 000
Reversals	-	-
Interest cost	-	-
Current service cost	(20 000)	-
Actual employer benefit payments	-	(297 000)
Actuarial loss/ (gain) recognised in the year	-	-
Balance at end of year	2 004 000	120 000

	Medical Aid R	Long-term Service R
30 June 2017		
Opening Balance	2 024 000	193 000
Reversals	-	-
Interest cost	-	-
Current service cost	-	(112 189)
Actual employer benefit payments	-	-
Actuarial loss/ (gain) recognised in the year	-	336 189
Balance at end of year	2 024 000	417 000

Current Portion of Non-Current Provisions:

Staff Benefit Provisions:

	Leave Provision R	Ex-gratia Pension R
30 June 2018		
Opening Balance	5 983 323	35 000
Increases	(669 901)	-
Payments Made	736 152	-
Other Reductions	-	-
Reversals	-	-
Increases (Passage of Time/Discounted Rate)	-	-
Balance at end of year	6 049 573	35 000

	Leave Provision R	Ex-gratia Pension R
30 June 2017		
Opening Balance	5 983 323	35 000
Increases	-	-
Payments Made	-	-
Other Reductions	-	-
Reversals	-	-
Increases (Passage of Time/Discounted Rate)	-	-
Balance at end of year	5 983 323	35 000

Ex-gratis Pensions Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Leave Provision Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Long Service Award Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15 PAYABLES FROM EXCHANGE TRANSACTIONS

Advance Payments	20 210	18 259
Bonus	1 696 191	1 656 611
Other Payables	44 073	2 163 699
Control, Clearing and Interface Accounts	16 963	2 163 699
Unallocated Deposits	27 109	-
Retentions	336 603	356 419
Trade Creditors	4 469 012	9 049 111
Total Payables	6 566 088	13 244 099

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

	206 662	471 699
National Government	206 662	181 699
Provincial Government	-	250 000
Public Corporations	-	40 000
Total Conditional Grants and Receipts	206 662	471 699

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 22 for the reconciliation of Grants from Government and Note N/A for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

17 LONG-TERM LIABILITIES

Long-Term Liabilities

Development Bank of South Africa	2 455 416	4 663 622
	2 455 416	4 663 622
Less: Current Portion transferred to Current Liabilities:-	(2 455 416)	(2 179 033)
Development Bank of South Africa	(2 455 416)	(2 179 033)
Non-Current Portion of Long-term Liabilities	-	2 484 589

17.1 Summary of Arrangements

The fixed term loan is over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Borrowings

Annuity and Bullet Loans		2 484 589
		2 484 589
Current Portion transferred to Current Liabilities:-	2 455 416	2 179 033
Annuity and Bullet Loans	2 455 416	2 179 033
Total Borrowings	2 455 416	4 663 622

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

17.3 Obligations under Borrowings

The obligations under DBSA Loan is as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2018 R	2017 R	2018 R	2017 R
Amounts payable under borrowings:				
Within one year	2 677 906	2 659 315	2 677 906	2 659 315
In the second to fifth years, inclusive	-	2 707 079	-	2 707 079
Over five years	-	-	-	-
	<u>2 677 906</u>	<u>5 366 395</u>	<u>2 677 906</u>	<u>5 366 395</u>
Less: Future Finance Obligations	222 490	(702 773)	222 490	(702 773)
Present Value of Minimum Lease Obligations	<u>2 900 396</u>	<u>4 663 622</u>	<u>2 455 416</u>	<u>4 663 622</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(2 455 416)	(2 179 033)
Borrowings due for settlement after 12 months (Non-current Portion)			<u>-</u>	<u>2 484 589</u>

18 EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities	30 504 898	32 027 999
Post-retirement Health Care Benefits Liability	28 513 999	30 074 999
Long Service Awards Liability	1 990 899	1 953 000
Less: Current Portion of Employee Benefit Liabilities	(2 124 000)	(2 441 000)
Post-retirement Health Care Benefits Liability	(2 004 000)	(2 024 000)
Long Service Awards Liability	(120 000)	(417 000)
Non-Current Portion of Employee Benefit Liabilities	<u>28 380 898</u>	<u>29 586 999</u>
18.1 Post-retirement Health Care Benefits Liability		
Opening balance	30 074 999	30 074 999
Interest cost	3 002 000	-
Current service cost	742 000	-
Actual employer benefit payments	(1 862 965)	-
Actuarial loss/ (gain) recognised in the year	(3 442 035)	-
Balance at end of Year	<u>28 513 999</u>	<u>30 074 999</u>
Transfer to Current Provisions	2 004 000	2 024 000
Total Post-retirement Health Care Benefits Liability	<u>30 517 999</u>	<u>32 098 999</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr N Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	62	62
In-service Non-members (Employees)	36	36
Continuation Members (Retirees, widowers and orphans)	44	47
Total Members	<u>142</u>	<u>145</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The liability in respect of past service has been estimated as follows:

In-service Members	9 144 000	7 933 000
In-service Non-members	585 000	809 000
Continuation Members	18 784 999	21 332 999
Total Liability	28 513 999	30 074 999

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2018 is estimated to be R3 002 000, whereas the cost for the ensuing year is estimated to be R3 537 354 (30 June 2017: R2 701 999 and R3 002 000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	Yield Curve	
Health Care Cost Inflation Rate	Equal to CPI + 1	
Net Effective Discount Rate	Yield Curve Based	
Expected Return on Plan Assets	0,00%	0,00%
Expected Rate of Salary Increase	7,36%	7,36%
Expected Return on Reimbursement Rights	0,00%	0,00%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	30 074 999	27 792 000
Interest cost	3 002 000	2 701 999
Current service cost	742 000	568 000
Actual employer benefit payments	(1 862 965)	(1 739 395)
Actuarial loss/ (gain) recognised in the year	(3 442 035)	752 395
Benefits paid	-	-
Actuarial losses / (gains)	-	-
Total Recognised Benefit Liability	28 513 999	30 074 999

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	28 513 999	30 074 999
Fair value of plan assets	-	-
	28 513 999	30 074 999
Present value of unfunded obligations	-	-
	28 513 999	30 074 999
Unfunded Accrued Liability	28 513 999	30 074 999
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	28 513 999	30 074 999

The history of fair values are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	28 513 999	30 074 999	27 792 000	26 916 547	25 036 299
Deficit	28 513 999	30 074 999	27 792 000	26 916 547	25 036 299
Experienced adjustments on Plan Liabilities	(1 919 000)	2 356 040	41 820	6 739 754	(1 526 436)

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1	4 320 000
Effect on the defined benefit obligation	1	33 815 000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(1)	(3 277 000)
Effect on the defined benefit obligation	(1)	(26 963 000)

The effect of a 20% movement in the withdrawal rate is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1	4 125 000
Effect on the defined benefit obligation	1	33 081 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(1)	(3 442 000)
Effect on the defined benefit obligation	(1)	(27 716 000)

The municipality expects to make a contribution of R3 395 000 (42551: R3,744,000) to the Defined Benefit Plans during the next financial year.

Refer to Note 42, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

18.2 Long Service Awards Liability

Opening Balance	1 953 000	1 792 000
Increases	493 000	374 000
Payments Made	(455 101)	(112 189)
Other Reductions	(297 000)	(100 811)
Reversals	297 000	-
Increases (Passage of Time/Discounted Rate)	-	-
Balance at end of Year	<u>1 990 899</u>	<u>1 953 000</u>
Transfer to Current Provisions	120 000	417 000
Total Long Service Awards Liability	<u>2 110 899</u>	<u>2 370 000</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 95 (2017: 96) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2018 is estimated to be R432 000, whereas the cost for the ensuing year is estimated to be R428 000 (30 June 2017: R374 000 and R493 000 respectively).

	2018	2017
	R	R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8,53%	8,00%
Cost Inflation Rate	7,19%	7,06%
Net Effective Discount Rate	1,25%	0,88%
Expected Return on Plan Assets	8,00%	8,00%
Expected Rate of Salary Increase	7,36%	6,50%
Expected Return on Reimbursement Rights	1,69%	1,41%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening Balance	1 953 000	1 792 000
Increases	493 000	374 000
Payments Made	(455 101)	(112 189)
Other Reductinos	(297 000)	(100 811)
Reversals	297 000	-
Increases (Passage of Time/Discounted Rate)	-	-
Total Recognised Benefit Liability	<u>1 990 899</u>	<u>1 953 000</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 990 899	1 953 000
	<u>1 990 899</u>	<u>1 953 000</u>
Present value of unfunded obligations	-	-
	<u>1 990 899</u>	<u>1 953 000</u>
Unfunded Accrued Liability		
	<u>1 990 899</u>	<u>1 953 000</u>
Total Benefit Liability	<u>1 990 899</u>	<u>1 953 000</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	230 000	220 000
Interest cost	202 000	154 000
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	61 000	-
	<u>493 000</u>	<u>374 000</u>
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	<u>493 000</u>	<u>374 000</u>

The history of experienced adjustments is as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	1 990 899	1 953 000	1 792 000	1 608 517	1 278 285
Deficit	<u>1 990 899</u>	<u>1 953 000</u>	<u>1 792 000</u>	<u>1 608 517</u>	<u>1 278 285</u>
Experienced adjustments on Plan Liabilities	-	368 596	(117 352)	321 056	379 886

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	135 800	120 500
Effect on the defined benefit obligation	674 285	639 781

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(121 700)	(107 700)
Effect on the defined benefit obligation	(611 740)	(579 307)

The municipality expects to make a contribution of R428 000 (2017: R432 000) to the defined benefit plans during the next financial year.

19 NON-CURRENT PROVISIONS

Ex-gratia Pension	108 910	114 001
Total Non-current Provisions	<u>108 910</u>	<u>114 001</u>

The movement in Non-current Provisions are reconciled as follows:

Staff Benefit Provisions:

Ex-Gratia Pension	2018	2017
Opening Balance	114 001	114 001
Increases	29 000	
Payments Made	-34 090	
Balance at end of year	<u>108 910</u>	<u>114 001</u>

20 RESERVES

Capital Replacement Reserve	7 957 082	7 957 082
Revaluation Reserve	19 775 353	20 039 314
Total Reserves	<u>27 732 436</u>	<u>27 996 397</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

20.1 Capital Replacement Reserve

The Capital Replacement Reserve arises from cash backed accumulated surplus for the replacement of capital infrastructure/equipment.

Reconciliation of the Capital Replacement Reserve:

Opening Balance	7 957 082	15 281 795
Purchases	-	-
Transfers to/from Accumulated Surplus	-	(7 324 713)
Transfers to/from Reserves	-	-
Balance at end of year	7 957 082	7 957 082

20.2 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings and qualifying Community Assets. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Reconciliation of Revaluation Reserve

Opening Balance	20 039 314	20 303 275
Current Period Revaluation Increases/Decrease	-	-
Transfers to/from Accumulated Surplus	(263 961)	(263 961)
Disposal of Asset	-	-
Balance at end of year	19 775 353	20 039 314

21 ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	48 053 024	40 430 960
Total Accumulated Surplus	48 053 024	40 430 960

Reconciliation of Accumulated Surplus:

Opening Balance	40 430 960	48 283 478
Correction of Prior Period Error	84 208	-
Transfers to/from Accumulated Surplus/(Deficit)	-	(15 441 191)
Transfers to/from Reserves	-	7 324 713
Depreciation Offsets	263 961	263 961
Accumulated Surplus As Per Financial Performance	7 273 895	-
Total Accumulated Surplus	48 053 024	40 430 960

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

22 TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	-	2 627 000
Monetary Allocations	-	2 627 000
Operational Grants	117 698 568	111 385 528
Monetary Allocations	117 698 568	111 385 528
Total Government Grants and Subsidies	117 698 568	114 012 528

Housing grant of R800 000 was retracted during the 2017/18 financial year, as the Implementation Protocol (IP) was not signed. The municipality and COGSTA could not come to an agreement on the IP, as the original IP sent to the municipality would reduce municipal functions and lead to the municipality being down graded to Grade 1.

22.1 Capital Grants

	Monetary Allocations	
	2018	2017
Departmental Agencies and Accounts	-	200 000
National Governments	-	2 427 000
Total Capital Grants Received	-	2 627 000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22.2 Operational Grants

	Monetary Allocations	
	2018	2017
Departmental Agencies and Accounts	-	86 227
SETA: Skills grant	100 150	-
National Governments	4 111 462	1 068 301
National Revenue Fund	112 317 000	105 416 000
ABSA	40 000	-
Provincial Government	1 129 956	4 814 999
Total Operational Grants Received	117 698 568	111 385 528

22.3 Calculation of Cash Flow:

Government Grants and Subsidies Income	117 698 568	114 012 528
Opening Balance of Unspent Government Grants	(471 699)	(3 073 659)
Closing Balance of Unspent Government Grants (reconcile with note 16)	206 662	471 699
Total Receipts for Government Grants and Subsidies	117 433 532	111 410 567

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22.4 Reconciliation per Grant Source

22.4.1 National Governments

Balance unspent at beginning of year	-	181 699
Current year receipts	117 601 001	-
Conditions met - transferred to Revenue	(117 394 338)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 16)	<u>206 662</u>	<u>181 699</u>

22.4.2 National Revenue Fund - Fuel Levy & Equitable Share

Current year receipts	112 317 000	105 416 000
Conditions met - transferred to Revenue	(112 317 000)	(105 416 000)
Conditions still to be met - transferred to Current Liabilities (see Note 16)	<u>-</u>	<u>-</u>

This grant has been used to fund operational expenses within the municipality.

22.4.3 SETA: Skills grant

Balance unspent at beginning of year	-	-
Current year receipts	100 150	-
Conditions met - transferred to Revenue	(100 150)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 16)	<u>-</u>	<u>-</u>

LGSETA: This grant has been used to fund training within the municipality No funds have been withheld.

22.4.4 Provincial Government

Balance unspent at beginning of year	250 000	250 000
Current year receipts	1 129 956	4 814 999
Conditions met - transferred to Revenue	(1 129 956)	(4 814 999)
Other Adjustments/Refunds	(250 000)	-
Conditions still to be met - transferred to Current Liabilities (see Note 16)	<u>-</u>	<u>250 000</u>

These grants were used for contingency measures put in place for disasters within the municipal area and creation of jobs. The adjustment made of R250 000 will be paid over to the Department of Health, amount has been transferred to Payables

22.4.5 Public Corporations

Balance unspent at beginning of year	40 000	40 000
Current year receipts	164 080	-
Conditions met - transferred to Revenue	(204 080)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Assets (see Note)	<u>-</u>	<u>40 000</u>

These grants were used for special projects within units such as Tourism and LED.

23 SALES OF GOODS AND RENDERING OF SERVICES

Other Revenue	285 736	140 709
---------------	---------	---------

24 RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue

Other Fixed Assets	958 445	107 428
--------------------	---------	---------

Other Rental income

Ad-hoc Rental Income from Other Fixed Assets	44 714	902 400
--	--------	---------

Total Rental of Facilities and Equipment

	<u>1 003 158</u>	<u>1 009 828</u>
--	------------------	------------------

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

25 INTEREST, DIVIDENDS AND RENT ON LAND EARNED

External Investments:

Bank Account	270 247	308 218
Other Deposits	5 560 042	6 497 015

Total Exchange Interest Earned	5 830 289	6 805 233
---------------------------------------	------------------	------------------

Total Interest, Dividends And Rent On Land Earned	5 830 289	6 805 233
--	------------------	------------------

25.1 Calculation of Cash Flow:

External Interest Income	5 830 289	6 805 233
--------------------------	-----------	-----------

26 EMPLOYEE RELATED COSTS

Salaries and Wages

Basic	40 232 404	38 325 206
Long Service Awards	291 000	119 189

13th Cheque	4 493	653 076
Leave Payments	736 152	1 253 203
Overtime	195 570	131 315

Allowances

13th Cheque Allowance	2 982 849	2 666 043
Cellular and Telephone	204 938	190 721
Housing Benefits	370 687	354 782
Scarcity Allowance	803 676	294 881
Travel or Motor Vehicle	3 651 989	3 819 705

Social Contributions

Bargaining Council	13 588	-
Group Life Insurance	462 086	522 919
Medical	1 809 658	1 699 015
Pension	5 642 909	5 391 554
Unemployment Insurance	210 180	197 673

Post-retirement Benefit

Current Service Cost	742 910	568 000
Interest Cost	2 344 000	1 975 000
Actuarial Gains and Losses	(2 781 644)	1 326 121

Total Employee Related Costs	57 917 444	59 488 404
-------------------------------------	-------------------	-------------------

26.1 Calculation of Cash Flow:

Employee Related Costs Expenditure		57 917 444	59 488 404
Opening Balance of Current Employee Benefit Liabilities	Note 14	2 441 000	1 992 000
Closing Balance of Current Employee Benefit Liabilities	Note 14	(2 124 000)	(2 441 000)
Opening Balance of Current Staff Benefit Provisions	Note 14	6 018 323	7 414 633
Closing Balance of Current Staff Benefit Provisions	Note 14	(6 084 573)	(6 018 323)
Opening Balance of Non-current Employee Benefit Liabilities	Note 18	29 586 999	27 713 911
Closing Balance of Non-current Employee Benefit Liabilities	Note 18	(28 380 898)	(29 586 999)
Opening Balance of Non-current Staff Benefit Provisions	Note 19	114 001	114 001
Closing Balance of Non-current Staff Benefit Provisions	Note 19	(108 910)	(114 001)

Total Payments for Employee Related Costs		59 379 384	58 562 626
--	--	-------------------	-------------------

No advances were made to employees.

Remuneration of Section 56 Employees:

Remuneration of the Municipal Manager - Ms ZM Bogatsu

Annual Remuneration	1 373 622	1 312 404
Bonus	99 369	109 367
Performance Bonus	130 920	175 235
Car and Other Allowances	764 860	216 592
Company Contributions to UIF, Medical and Pension Funds	232 523	-
Total	2 601 295	1 813 598

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Remuneration of the Acting Director Financial Services - Ms. O Moseki

Annual Remuneration	302 423	601 668
13th Cheque	53 333	48 508
Performance Bonus	63 466	120 673
Car and Other Allowances	54 910	169 888
Company Contributions to UIF, Medical and Pension Funds	44 102	-
Total	518 233	940 736

Remuneration of the Executive Director Administration - Mrs. KG Gaborone

Annual Remuneration	1 466 021	92 021
Car and Other Allowances	19 500	2 000
Total	1 485 521	94 021

Remuneration of Executive Director: Infrastructure Services - Mr PJ van der Walt

Annual Remuneration	268 178	919 316
Performance Bonus	63 466	120 673
Car and Other Allowances	105 225	96 000
Total	436 869	1 135 989

Remuneration of Acting Executive Director: Infrastructure Services - Mr D Makaleni

Annual Remuneration	147 100	-
Car and Other Allowances	46 460	-
Company Contributions to UIF, Medical and Pension Funds	32 452	-
Total	226 013	-

Remuneration of Executive Director: Planning & Development - Mr FS Mdee

Performance Bonus	-	124 725
Total	-	124 725

Remuneration of Acting Executive Director: Planning & Development - Mr F Netshivhodza

Annual Remuneration	245 621	178 893
13th Cheque	46 258	-
Car and Other Allowances	78 551	56 277
Company Contributions to UIF, Medical and Pension Funds	48 741	-
Total	419 171	235 170

Summary of Remuneration of Section 56 Employees:

All Managers	5 687 102	4 344 239
Total Remuneration of Section 56 Employees	5 687 102	4 344 239

One senior manager, Mr P van der Walt, went on retirement during the financial year.

27 REMUNERATION OF COUNCILLORS

Executive Mayor	877 096	802 970
Speaker	598 855	658 609
Mayoral committee members	3 260 180	2 714 663
MPAC Chairperson	-	255 826
Total for All Other Councillors	1 830 601	1 518 420
Total Councillors' Remuneration	6 566 732	5 950 489

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Remuneration of Councillors:

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality.

The Executive Mayor has use of a municipal owned vehicle for official duties.

Refer to Appendix G for more detail.

28 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	3 711 338	3 760 459
Amortisation: Intangible Assets	166 138	166 054

Total Depreciation and Amortisation	3 877 476	3 926 513
--	------------------	------------------

28.1 Depreciation: Property, Plant and Equipment

Community Assets	683 170	-
Computer Equipment	545 794	452 542
Furniture and Office Equipment	549 458	511 125
Machinery and Equipment	385 585	570 900
Other Assets	-	763 158
Transport Assets	1 547 330	1 462 735
	3 711 338	3 760 459

29 IMPAIRMENT LOSSES

Impairment Losses on Current Assets	88 121	2 219
-------------------------------------	--------	-------

Total Impairment Losses	88 121	2 219
--------------------------------	---------------	--------------

29.1 Impairment Losses on Debtors

Bad Debts Written Off	88 121	2 219
	88 121	2 219

30 INTEREST, DIVIDENDS AND RENT ON LAND PAID

Interest Paid	451 109	673 822
Borrowings	451 109	673 822
Total Interest Expense	451 109	673 822

Total Interest, Dividends and Rent on Land	451 109	673 822
---	----------------	----------------

30.1 Calculation of Cash Flow:

Finance Cost Expenditure	451 109	673 822
Total Payments for Finance Costs	451 109	673 822

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

31 CONTRACTED SERVICES

Outsourced Services	6 071 880	4 621 309
Consultants and Professional Services	1 879 052	3 868 433
Contractors	4 553 205	1 138 962

Total Contracted Services	12 504 137	9 628 704
----------------------------------	-------------------	------------------

31.1 Outsourced Services

Burial Services	3 600	6 000
Business and Advisory	4 892 705	3 463 439
Catering Services	314 477	542 777
Cleaning Services	18 084	-
Security Services	843 014	609 094

6 071 880	4 621 309
------------------	------------------

31.2 Consultants and Professional Services

Business and Advisory	1 853 862	2 092 593
Infrastructure and Planning	-	1 769 315
Legal Cost	25 190	6 525

1 879 052	3 868 433
------------------	------------------

31.3 Contractors

Catering Services	28 912	119 503
Employee Wellness	230 866	4 475
Event Promoters	312 783	394 147
Exhibit Installations	236 954	236 595
Graphic Designers	54 520	39 278
Maintenance of Buildings and Facilities	322 988	-
Maintenance of Equipment	762 570	-
Maintenance of Computer Software	1 977 956	-
Sports and Recreation	238 100	226 574
Stage and Sound Crew	387 555	118 390

4 553 205	1 138 962
------------------	------------------

31.4 Calculation of Cash Flow:

Expenditure for Inventory Consumed	Note 32	1 454 790	5 207 187
Expenditure for Contracted Services	Note 31	12 504 137	9 628 704
Opening Balance of Payables: Exchange Transactions	Note 15	11 587 488	8 445 539
Closing Balance of Payables: Exchange Transactions	Note 15	(4 869 898)	(11 587 488)
Opening Balance of Inventories	Note 2	(337 673)	(303 121)
Closing Balance of Inventories	Note 2	341 561	337 673
Other Transfers of Assets	Note 9	-	-

Total for Suppliers Paid	20 680 405	11 728 493
---------------------------------	-------------------	-------------------

32 INVENTORY CONSUMED

Materials and Supplies	1 454 790	5 207 187
------------------------	-----------	-----------

1 454 790	5 207 187
------------------	------------------

33 TRANSFERS AND SUBSIDIES PAID

Capital Grants

Allocations In-kind	10 269 390	20 935 007
Monetary Allocations	10 269 390	20 935 007

Operational Grants

Allocations In-kind	14 526 419	17 728 690
Monetary Allocations	12 646 220	16 164 588
	1 880 199	1 564 102

Total Transfers and Subsidies Paid	24 795 809	38 663 697
---	-------------------	-------------------

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

33.1 Capital Grants

	Allocations In-kind		Monetary Allocations	
	2018	2017	2018	2017
Local Municipalities	10 210 942	20 935 007	-	-
Non-profit Institutions	58 449	-	-	-
Total Capital Grants Paid	10 269 390	20 935 007	-	-

33.2 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2018	2017	2018	2017
Departmental Agencies and Accounts	-	-	192 537	185 000
Local Municipalities	12 301 328	15 045 032	1 439 357	966 665
Households	249 550	415 255	228 595	82 331
Non-profit Institutions	95 341	106 969	19 711	330 106
Private Enterprises	-	597 332	-	-
Total Operational Grants Paid	12 646 220	16 164 588	1 880 199	1 564 102

34 OPERATIONAL COSTS

Included in General Expenses are the following:

Advertising, Publicity and Marketing	998 491	1 347 105
Bank Charges, Facility and Card Fees	68 404	80 219
Bargaining Council	-	12 841
Bursaries (Employees)	156 460	103 746
Cleaning Services	9 560	14 665
Communication	32 842	38 338
Entertainment	274 619	203 914
External Audit Fees	1 928 678	1 929 239
External Computer Service	361 577	399 543
Honoraria (Voluntarily Workers)	-	570 640
Insurance Underwriting	341 074	316 970
Learnerships and Internships	-	764 363
Licences	20 092	14 938
Municipal Services	1 256 924	2 011 704
Printing, Publications and Books	86 654	91 499
Professional Bodies, Membership and Subscription	671 194	686 804
Registration Fees	194 556	192 590
Resettlement Cost	234 700	127 908
Samples and Specimens	-	135 796
Signage	-	15 478
Skills Development Fund Levy	550 557	500 207
Toll Gate Fees	20 056	-
Transport Provided as Part of Departmental Activities	74 088	43 915
Travel and Subsistence	2 178 779	3 512 034
Uniform and Protective Clothing	48 633	43 617
Wet Fuel	992	-
Workmen's Compensation Fund	349 915	280 936
Total Operational Costs	9 858 846	13 439 011

34.1 Calculation of Cash Flow:

Expenditure for Operational Costs	Note 34	(9 858 846)	(13 459 005)
Expenditure for Transfers and Subsidies Paid	Note 33	(24 795 809)	(38 663 697)
Total for Other Payments		(34 654 655)	(52 122 703)

34.2 Travel and Subsistence

Domestic	2 178 779	3 512 034
Accommodation	1 218 446	1 767 578
Daily Allowance	144 221	101 342
Food and Beverage (Served)	100 796	89 496
Transport without Operator	363 575	174 465
Transport with Operator	351 741	1 379 153
	2 178 779	3 512 034

No other extra-ordinary expenses were incurred.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

35 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	(29 393)	(429 444)
Total Gains / (Losses) on Disposal of Capital Assets	(29 393)	(429 444)
Total Losses on Disposal of Capital Assets	29 393	429 444

36 mSCOA Reclassification

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

The implementation of MSCOA as stated above resulted in certain reclassification of descriptions and figures.
Other corrections were also made during the previous financial years. Details of the corrections are described below:

36.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2016		63 565 272
Correction of Error:-		(15 281 795)
Capital Replacement Reserve reclassified to Reserves from Acc Surplus as per MSCOA	(15 281 795)	
Restated Balances as at 30 June 2016		48 283 478
Transactions incurred for the Year 2016/17		(15 441 191)
Correction of Error:-		7 588 674
Capital Replacement Reserve reclassified to Reserves from Acc Surplus as per MSCOA	7 324 713	
Depreciation Offsets	263 961	
Restated Balances as at 30 June 2017		40 430 960

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2016/17 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2016/17
Transfers and Subsidies	114 012 528	-	114 012 528	-	114 012 528
Sales of Goods and Rendering of Services	-	140 709	140 709	-	140 709
Income from Agency Services	-	-	-	-	-
Rental from Fixed Assets	1 009 828	-	1 009 828	-	1 009 828
Interest, Dividends & Rent on Land Exchange	-	6 805 233	6 805 233	-	6 805 233
Interest Earned - External Investments	6 805 233	(6 805 233)	-	-	-
Other Income	140 709	(140 709)	-	-	-
	121 968 299	-	121 968 299	-	121 968 299

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	Sales of Goods and Rendering of Services	Other Income
Balance previously reported	-	140 709
Other Income reclassified to Sale of Goods and Rendering of Services as per MSCOA	140 709	(140 709)
Restated Balance now reported	140 709	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Interest, Dividends & Rent on Land Exchange	Interest Earned - External Investments
Balance previously reported	-	6 805 233
Interest Earned External Investments reclassified to Interest, Dividends and Rent on Land as per MSCOA	6 805 233	(6 805 233)
Restated Balance now reported	6 805 233	-

36.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2016/17 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2016/17
Employee Related Costs	57 082 078	2 406 326	59 488 404	-	59 488 404
Remuneration of Councillors	5 950 489	-	5 950 489	-	5 950 489
Depreciation and Amortisation	3 926 513	-	3 926 513	-	3 926 513
Debt Impairment	2 219	(2 219)	-	-	-
Impairment Losses	-	2 219	2 219	-	2 219
Actuarial Losses	1 225 310	(1 225 310)	-	-	-
Finance charges - external funding	673 822	(673 822)	-	-	-
Finance charges - employee benefits	1 975 000	(1 975 000)	-	-	-
Interest, Dividends and Rent on Land	-	673 822	673 822	-	673 822
Contracted Services	3 936 130	5 692 574	9 628 704	-	9 628 704
Inventory Consumed	-	5 207 187	5 207 187	-	5 207 187
Transfers and Subsidies Paid	48 946 516	(10 282 819)	38 663 697	-	38 663 697
General expenses	13 261 969	(13 261 969)	-	-	-
Operational Costs	-	13 439 011	13 439 011	-	13 439 011
Loss on Disposal of PPE	429 444	-	429 444	-	429 444
	137 409 490	0	137 409 490	-	137 409 490

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Employee Related Costs	Actuarial Losses	Finance charges - employee benefits
Balance previously reported	57 082 078	1 225 310	1 975 000
Actuarial Losses reclassified to Employee Related Cost as per MSCOA	1 225 310	(1 225 310)	-
Finance Charges Employee Benefits reclassified to Employee Cost as per MSCOA	1 975 000	-	(1 975 000)
Employee related cost reclassified as operational cost	(793 984)	-	-
Restated Balance now reported	59 488 404	-	-
	Debt Impairment	Impairment Losses	Finance charges - external funding
Balance previously reported	2 219	-	673 822
Debt Impairment reclassified to Impairment Losses as per MSCOA	(2 219)	2 219	-
Finance Charge reclassified to Interest, Dividends and Rent on Land	-	-	(673 822)
Restated Balance now reported	-	2 219	-
	Interest, Dividends and Rent on Land	Contracted Services	Inventory Consumed
Balance previously reported	-	3 936 130	-
Finance Charge reclassified to Interest, Dividends and Rent on Land	673 822	-	-
Operational cost reclassified as inventory consumed	-	-	5 207 187
Repairs and Maintenance, and operational cost reclassified as contracted services	-	5 692 574	-
Restated Balance now reported	673 822	9 628 704	5 207 187

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Transfers and Subsidies Paid	General Expenses	Operational Costs
Balance previously reported	48 946 516	13 261 969	-
Transfers and subsidies reclassified as contract services and operational cost	(10 282 819)		(596 948)
General expenditure reclassified as operational cost		(13 261 969)	13 241 974
Employee related cost reclassified as operational cost			793 984
Restated Balance now reported	38 663 697	-	13 439 011

36.3 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2016/17 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2016/17
Current Assets					
Inventories	337 673	-	337 673	-	337 673
Receivables from Exchange Transactions	1 772 898	(790)	1 772 108	-	1 772 108
VAT Receivable	3 362 592	0	3 362 592	-	3 362 592
Investments	10 450 000	-	10 450 000	-	10 450 000
Cash and Cash Equivalents	50 102 119	-	50 102 119	-	50 102 119
Operating Lease Receivables	5 282	-	5 282	-	5 282
Current Portion of Long-term Receivables	819 000	-	819 000	-	819 000
Non-Current Assets					
Property, Plant and Equipment	49 311 261	-	49 311 261	-	49 311 261
Intangible Assets	597 004	-	597 005	-	597 005
Heritage Assets	631 417	-	631 417	-	631 417
Long-term Receivables	8 114 000	-	8 114 000	-	8 114 000
Current Liabilities					
Consumer Deposits	-	570	570	-	570
Provisions	-	8 994 111	8 994 111	-	8 994 111
Payables from Exchange Transactions	11 588 848	1 655 251	13 244 099	-	13 244 099
Current employee benefits	10 650 721	(10 650 721)	-	-	-
Unspent Conditional Grants and Receipts	471 699	-	471 699	-	471 699
Current Portion of Long-term Liabilities	2 179 033	-	2 179 033	-	2 179 033
Non-Current Liabilities					
Long-term Liabilities	2 484 589	-	2 484 589	-	2 484 589
Retirement Benefit Liabilities	-	29 586 999	29 586 999	-	29 586 999
Non-current Provisions	-	114 001	114 001	-	114 001
Employee Benefits	29 700 999	(29 700 999)	-	-	-
Net Assets					
Reserves	20 039 314	7 957 082	27 996 397	-	27 996 397
Accumulated Surplus / (Deficit)	48 388 042	(7 957 082)	40 430 960	-	40 430 960
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Receivables from Exchange Transactions	Cash and Cash Equivalents
Balances previously published per AFS as at 30 June 2016	1 754 561	69 275 054
Balances now published per AFS as at 30 June 2016	1 754 561	69 275 054
Transactions incurred for the Year 2016/17	18 337	(19 172 935)
Salary Control: Group Schemes reclassified to Payables as per MSCO	(577)	
Unpaid Items reclassified to Payables as per MSCO	(213)	
Balances now published per AFS as at 30 June 2017	1 772 108	50 102 119

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consumer Deposits	Provisions	Payables from Exchange Transactions	Current Employee Benefits
Balances previously published per AFS as at 30 June 2016	-	-	8 445 539	9 440 722
Staff Bonus reclassified to Payables as per MSCOA			1 443 038	(1 443 038)
Employee Benefits reclassified as Provisions as per MSCOA		7 997 684		(7 997 684)
Rental Deposits reclassified as Consumer Deposits as per MSCOA	2 394		(2 394)	
Balances now published per AFS as at 30 June 2016	2 394	7 997 684	9 886 183	-
Transactions incurred for the Year 2016/17			3 143 309	1 209 999
Staff Bonus reclassified to Payables as per MSCOA			213 573	(213 573)
Employee Benefits reclassified as Provisions as per MSCOA		996 426	-	(996 426)
Rental Deposits reclassified as Consumer Deposits as per MSCOA	(1 824)		1 824	
Salary Control: Group Schemes reclassified from Receivables, per MSCOA			(577)	
Unpaid Items reclassified from Receivables as per MSCOA			(213)	
Balances now published per AFS as at 30 June 2017	570	8 994 111	13 244 099	-

	Retirement Benefit Liabilities	Non-current Provisions	Employee Benefits
Balances previously published per AFS as at 30 June 2016	-	-	27 713 911
Ex-Gratia Pension reclassified to Non-Current Provisions as per MSCOA		121 911	(121 911)
Employee Benefits reclassified to Retirement Benefit Liabilities as per MSCOA	27 592 000		(27 592 000)
Balances now published per AFS as at 30 June 2016	27 592 000	121 911	-
Transactions incurred for the Year 2016/17			1 994 999
Ex-Gratia Pension reclassified to Non-Current Provisions as per MSCOA		(7 910)	
Employee Benefits reclassified to Retirement Benefit Liabilities as per MSCOA	1 994 999		(1 994 999)
Balances now published per AFS as at 30 June 2017	29 586 999	114 001	-

	Reserves	Accumulated Surplus
Balances previously published per AFS as at 30 June 2016	20 303 275	63 565 272
Capital Replacement Reserve reclassified to Reserves from Acc Surplus as per MSCOA	15 281 795	(15 281 795)
Balances now published per AFS as at 30 June 2016	35 585 070	48 283 478
Transactions incurred for the Year 2016/17	(263 961)	(15 441 191)
Capital Replacement Reserve reclassified to Reserves from Acc Surplus as per MSCOA	(7 324 713)	7 324 713
Depreciation Offsets	-	263 961
Correction of prior year property, plant and equipment	-	-
Balances now published per AFS as at 30 June 2017	27 996 397	40 430 960

37 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	7 273 895	-15 441 191
Adjustment for:		
Depreciation and Amortisation	3 877 476	3 926 513
Losses / (Gains) on Disposal of Property, Plant and Equipment	29 393	429 444
Contribution to Post-retirement Employee Benefits	301 965	-
Expenditure incurred from Post-retirement Employee Benefits	-1 862 965	-
Contribution to Long Service Awards Liability	493 000	374 000
Expenditure incurred from Long Service Awards Liability	-455 101	-112 189
Contribution to Provisions - Current	-	653 076
Contribution to Provisions - Non-current	29 000	-
Operating surplus before working capital changes		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Decrease/(Increase) in Inventories	-3 888	-34 551
Decrease/(Increase) in Receivables from Exchange Transactions	-199 344	-18 337
Decrease/(Increase) in VAT Receivable	-300 486	2 031 238
Decrease/(Increase) in Operating Lease Receivables	1 225	-281
Decrease/(Increase) in Current Portion of Long-term Receivables	-	-78 000
Increase/(Decrease) in Consumer Deposits	-	570
Increase/(Decrease) in Payables from Exchange Transactions	-6 678 011	3 143 309
Increase/(Decrease) in Payables from Non-exchange Transactions	-	-
Increase/(Decrease) in Conditional Grants and Receipts	-265 036	-2 601 960
Cash generated by / (utilised in) Operations	2 241 123	-7 728 359

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	6 455
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	(6 455)
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	-	-

38.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 207	5 610
Fruitless and Wasteful Expenditure current year	188 179	19 654
Fruitless and Wasteful Expenditure identified in current year relating to prior years	-	-
Expenditure investigated and approved by Council	(188 179)	(11 103)
To be recovered	-	(12 954)
Fruitless and Wasteful Expenditure awaiting condonement	1 207	1 207

Incident	Disciplinary Steps / Criminal Proceedings
Zuri Concepts & Projects. - R0 (2017: R750)	To be recovered
Lateral Unison. - R0 (2017: R2 500)	To be recovered
Worldwide Travel. - R0 (2017: R2 279)	To be recovered
Lateral Unison. - R0 (2017: R7 425)	Recouped from Salaries Payable
Zuri Concepts & Projects. - R0 (2017: R1 200)	Written Off
Bonisetso Media House. - R0 (2017: R5 500)	Written Off
Independent Newspaper (PTY) LTD. - R10 309 (2017: R0)	Written Off
Independent Newspaper (PTY) LTD. - R1 513 (2017: R0)	Written Off
Nandos. - R407 (2017: R0)	Written Off
KFC. - R179 (2017: R0)	Written Off
Mr Choche. - R1 459 (2017: R0)	Written Off
Tiso Black Starr Group PTY LTD. - R82 422 (2017: R0)	Written Off
Rennies Travel. - R1 782 (2017: R0)	Written Off
S&T Mr M Chonco. - R11 663 (2017: R0)	Written Off
S&T Mr T Jood. - R3 645 (2017: R0)	Written Off
S&T Mr P Mathebula. - R16 951 (2017: R0)	Written Off
Rennies Travel. - R8 229 (2017: R0)	Written Off
Rennies Travel. - R3 116 (2017: R0)	Written Off
Rennies Travel. - R18 271 (2017: R0)	Written Off
Rennies Travel. - R2 800 (2017: R0)	Written Off
Managed Integrity Evaluation (PTY) LTD. - R1 886 (2017: R0)	Written Off
Work Dynamics (PTY) LTD. - R21 862 (2017: R0)	Written Off
Rennies Travel. - R1 685 (2017: R0)	Written Off

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

38.3 Irregular Expenditure

Restated

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure:

Opening balance	2 936 309	329 050
Irregular Expenditure current year	3 726 500	2 946 175
Irregular Expenditure prior year, but identified in current year	150 000	73 090
Condoned or written off by Council	(3 261 309)	(407 541)
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	(4 465)
Irregular Expenditure awaiting condonement	3 551 500	2 936 309

Incident	Disciplinary Steps / Criminal Proceedings
<i>Shine The Way 1302 CC - R0 (2017: R28 500)</i>	<i>Written Off</i>
<i>Councillor Maribe - R0 (2017: R4 465)</i>	<i>To be recovered</i>
<i>Pick n Pay - R0 (2017: R49 990)</i>	<i>Written Off</i>
<i>Advertisement for construction of additional offices (Bid 07 / 16) - R3 533 938 (2017: R2 851 469)</i>	<i>2017 expenditure was written off and 2018 expenditure to be reported to council.</i>
<i>SenTech (Prior Year) - R0 (2017: R44 590)</i>	<i>Written Off</i>
<i>SenTech - R17 562 (2017: R40 250)</i>	<i>2017 expenditure was written off and 2018 expenditure to be reported to council.</i>
<i>MACRONYM - R150 000 (2017: R0)</i>	<i>Prior year expenditure identified in current year. Expenditure has been written off by council.</i>
<i>MACRONYM - R175 000 (: R0)</i>	<i>Expenditure has been written off by council.</i>

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	662 934	679 999
Amount Paid - current year	(662 934)	(679 999)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

-	-
---	---

39.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1 928 678	1 929 239
Amount Paid - current year	(1 928 678)	(1 929 239)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

-	-
---	---

39.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 4. All VAT returns have been submitted by the due date throughout the year.

39.4 PAYE, Skills Development Levy and UIF

Opening Balance	111 517	3 269
Current year Payroll Deductions	14 550 381	12 367 334
Amount Paid - current year	(14 655 871)	(12 259 086)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

6 027	111 517
--------------	----------------

39.5 Pension and Medical Aid Deductions

Opening Balance	(2)	-
Current year Payroll Deductions and Council Contributions	14 841 511	9 356 677
Amount Paid - current year	(14 841 509)	(9 356 679)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

-	(2)
---	------------

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

39.6 Non-Compliance with the Municipal Finance Management Act

Interest charged on outstanding debtors - [MFMA 64 (2)(g)]

In terms of section 64 (2)(g) of the MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework. The municipality does not charge interest on long outstanding debtors, as the municipality does not deliver basic services. Amendment was made to the policy for the 2017/18 financial year.

Revenue not disclosed per source in the SDBIP - [MFMA 1]

In terms of section 1 of the MFMA the municipality must project for each month revenue to be collected, by source. The SDBIP of the municipality discloses the revenue to be collected by vote and not by source. Amendment was made to the 2017/18 SDBIP to disclose revenue by source.

39.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

30 June 2018

Supplier	Service	Amount
BCX	Treasury Reporting Utility Training	30 780
KIM-ROADS CC	Assistance with water tanks	28 728
ESRI SOUTH AFRICA	Esri software maintenance	47 994
EOH COMPANY	Workabout Pro G4 (Asset Handheld Scanner and Alluminium Asset Labels)	37 967
Total:		145 469

30 June 2017

Supplier	Service	Amount
Esri SA	Maintenance renewal of Arc-gis licences	114 000
PWC	Baud bar code labels	2 787
Total:		116 787

40 COMMITMENTS FOR EXPENDITURE

40.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Land and Buildings
Infrastructure

5 156 936	10 662 511
3 410 696	-
1 746 240	10 662 511

This expenditure will be financed from:

Capital Replacement Reserve
Government Grants

5 156 936	10 662 511
-	-
5 156 936	10 662 511

41 FINANCIAL INSTRUMENTS

41.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
Long-term Receivables			
Employee Benefits	Amortised cost	7 560 000	8 114 000
Receivables from Exchange Transactions			
Other Service Charges	Amortised cost	862 247	326 178
Prepayments and Advances	Amortised cost	671 014	1 246 322
Control, Clearing and Interface Accounts	Amortised cost	350 071	196 310
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	Amortised cost	-	3 297
Investments	Amortised cost	-	10 450 000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Cash and Cash Equivalents

Call Deposits	Amortised cost	51 001 000	45 501 000
Short-term Portion of Investments	Amortised cost	6 050 000	-
Bank Balances	Amortised cost	67 505	4 597 819
Cash Floats and Advances	Fair value	3 300	3 300

Current Portion of Long-term Receivables

Employee Benefits	Amortised cost	819 000	819 000
-------------------	----------------	---------	---------

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Long-term Receivables	Employee Benefits	7 560 000	8 114 000
Receivables from Exchange Transactions	Other Service Charges	862 247	326 178
Receivables from Exchange Transactions	Prepayments and Advances	671 014	1 246 322
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	350 071	196 310
Receivables from Exchange Transactions	Unauthorised, Irregular, Fruitless and Wast	-	3 297
Current Portion of Long-term Receivables	Employee Benefits	819 000	819 000
Investments	Investments	6 050 000	10 450 000
Cash and Cash Equivalents	Call Deposits	51 001 000	45 501 000
Cash and Cash Equivalents	Bank Balances	67 505	4 597 819
		<u>67 380 836</u>	<u>71 253 927</u>

Financial Assets at Fair Value:

Non-current Investments	Listed Investments	-	-
Cash and Cash Equivalents	Cash Floats and Advances	3 300	3 300
		<u>3 300</u>	<u>3 300</u>

Total Financial Assets

<u>67 384 136</u>	<u>71 257 227</u>
--------------------------	--------------------------

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities

Classification

Long-term Liabilities

Development Bank of South Africa	Amortised cost	-	2 484 589
----------------------------------	----------------	---	-----------

Payables from Exchange Transactions

Advance Payments	Amortised cost	20 210	18 259
Bonus	Amortised cost	1 696 191	1 656 611
Other Payables	Amortised cost	44 073	2 163 699
Retentions	Amortised cost	336 603	356 419
Unspent conditional grants	Amortised cost	206 662	471 699
Trade Creditors	Amortised cost	4 469 012	9 049 111

Current Portion of Long-term Liabilities

Development Bank of South Africa	Amortised cost	2 455 416	2 179 033
----------------------------------	----------------	-----------	-----------

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Development Bank of South Africa	-	2 484 589
Payables from Exchange Transactions	Advance Payments	20 210	18 259
Payables from Exchange Transactions	Bonus	1 696 191	1 656 611
Payables from Exchange Transactions	Leave Accrual	-	-
Payables from Exchange Transactions	Other Payables	44 073	2 163 699
Payables from Exchange Transactions	Retentions	336 603	356 419
Payables from Exchange Transactions	Unspent conditional grants	206 662	471 699
Payables from Exchange Transactions	Trade Creditors	4 469 012	9 049 111
Current Portion of Long-term Liabilities	Development Bank of South Africa	2 455 416	2 179 033
		<u>9 228 167</u>	<u>18 379 419</u>
Total Financial Liabilities		<u>9 228 167</u>	<u>18 379 419</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2018, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2018		30 June 2017	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	67 380 836	67 380 836	71 253 927	71 253 927
Long-term Receivables	7 560 000	7 560 000	8 114 000	8 114 000
Receivables from Exchange Transactions	1 883 331	1 883 331	1 772 108	1 772 108
Current Portion of Long-term Receivables	819 000	819 000	819 000	819 000
Call Deposits	51 001 000	51 001 000	45 501 000	45 501 000
Investments	6 050 000	6 050 000	10 450 000	10 450 000
Bank Balances	67 505	67 505	4 597 819	4 597 819
Measured at Fair Value	3 300	3 300	3 300	3 300
Non-current Investments	-	-	-	-
Cash and Cash Equivalents	3 300	3 300	3 300	3 300
Total Financial Assets	67 384 136	67 384 136	71 257 227	71 257 227
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	9 228 167	9 228 167	18 379 419	18 379 419
Development Bank of South Africa	-	-	2 484 589	2 484 589
-Payables from Exchange Transactions	6 772 751	6 772 751	13 715 798	13 715 798
-Current Portion of Long-term Liabilities	2 455 416	2 455 416	2 179 033	2 179 033
Total Financial Liabilities	9 228 167	9 228 167	18 379 419	18 379 419
Total Financial Instruments	58 155 969	58 155 969	52 877 807	52 877 807
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2018

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3 300	-	3 300
Total Financial Assets	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>
Total Financial Instruments	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>

30 June 2017

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3 300	-	3 300
Total Financial Assets	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>
Total Financial Instruments	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>

41.3 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 21 and the Statement of Changes in Net Assets.

Gearing Ratio

	2018 R	2017 R
The gearing ratio at the year-end was as follows:		
Debt	2 455 416	4 663 622
Cash and Cash Equivalents	(7 563 300)	(8 117 300)
Net Debt	<u>(5 107 884)</u>	<u>(3 453 678)</u>
Equity	<u>75 785 460</u>	<u>68 427 356</u>
Net debt to equity ratio	<u>-6,74%</u>	<u>-5,05%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

41.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 41.8 to the Annual Financial Statements.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 41.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

41.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

41.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 41.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2018 would have increased / decreased by R505 837 (30 June 2017: R266 853). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2018		30 June 2017	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Terra Clay (Pty) Ltd	-	3 746 717	-	-
Department of Education, Arts and Culture	-	2 695 629	-	2 537 699
NTK Beleggings & Ontwikkeling	-	2 162 771	-	-
Government of the Republic of South Africa	-	1 743 722	-	1 487 792
Republiek van Suid-Afrika	-	1 530 382	-	1 291 233
Midway Bricks (Pty) Ltd	-	-	-	3 094 127
Northern Province Academy of Sport	-	-	-	1 324 294

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	8 379 000	8 933 000
Receivables from Exchange Transactions	1 971 452	1 772 108
Investments	6 050 000	-
Bank, Cash and Cash Equivalents	51 071 805	50 102 119
Maximum Credit and Interest Risk Exposure	67 472 257	60 807 227

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables

Roads – Post Retirement Medical Aid	8 379 000	8 933 000
Total Long-term Receivables	8 379 000	8 933 000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41 FINANCIAL INSTRUMENTS (Continued)

41.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2018								
Non-interest Bearing		0,00%	6 772 751	6 772 751	-	-	-	-
- Payables from Exchange transactions			6 772 751	6 772 751	-	-	-	-
Fixed Interest Rate Instruments			2 455 416	2 455 416	-	-	-	-
- Development Bank of South Africa		10,90%	-	-	-	-	-	-
- Current Portion of Long-term Liabilities		10,90%	2 455 416	2 455 416	-	-	-	-
			9 228 167	9 228 167	-	-	-	-
30 June 2017								
Non-interest Bearing		0,00%	13 715 798	13 715 798	-	-	-	-
- Payables from Exchange transactions			13 244 099	13 244 099	-	-	-	-
- Unspent grants			471 699	471 699	-	-	-	-
Fixed Interest Rate Instruments			4 663 622	2 179 033	-	2 484 589	-	-
- Development Bank of South Africa		10,90%	2 484 589	-	-	2 484 589	-	-
- Current Portion of Long-term Liabilities		10,90%	2 179 033	2 179 033	-	-	-	-
			18 379 419	15 894 830	-	2 484 589	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2018								
Non-interest Bearing		0,00%	10 265 631	6 485 631	3 780 000	-	-	-
- Long-term Receivables			7 560 000	3 780 000	3 780 000	-	-	-
- Trade Receivables from Exchange Transactions			1 883 331	1 883 331	-	-	-	-
- Trade Receivables from Non-exchange Transactions			-	-	-	-	-	-
- Cash and Cash Equivalents			3 300	3 300	-	-	-	-
- Current Portion of Long Term Receivables			819 000	819 000	-	-	-	-
Variable Interest Rate Instruments		11,53%	51 068 505	51 068 505	-	-	-	-
- Call Deposits			51 001 000	51 001 000	-	-	-	-
- Bank Account			67 505	67 505	-	-	-	-
Fixed Interest Rate Instruments			6 050 000	-	6 050 000	-	-	-
- Fixed Deposits		8,65%	6 050 000	-	6 050 000	-	-	-
			67 384 136	57 554 136	9 830 000	-	-	-
30 June 2017								
Non-interest Bearing		0,00%	10 708 407	10 708 407	-	-	-	-
- Long-term Receivables			8 114 000	8 114 000	-	-	-	-
- Trade Receivables from Exchange Transactions			1 772 108	1 772 108	-	-	-	-
- Trade Receivables from Non-exchange Transactions			-	-	-	-	-	-
- Cash and Cash Equivalents			3 300	3 300	-	-	-	-
- Current Portion of Long Term Receivables			819 000	819 000	-	-	-	-
Variable Interest Rate Instruments		25,50%	50 098 819	50 098 819	-	-	-	-
- Call Deposits			45 501 000	45 501 000	-	-	-	-
- Bank Account			4 597 819	4 597 819	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments			10 450 000	-	10 450 000	-	-	-
- Fixed Deposits		8,65%	10 450 000	-	10 450 000	-	-	-
			71 257 227	60 807 227	10 450 000	-	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R

42 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1 862 965 (2017: R0) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

DEFINED CONTRIBUTION SCHEMES

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100.3% and 116.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183.5 (30 June 2009: R1 123.7) million, with a funding level of 99.5% (30 June 2009: 102.0%). The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

The deficit of R6.4 (2009: surplus R22.5) million is regarded as relatively insignificant in the context of the fund. There is a strong possibility that SARS may reverse penalties and interest in the order of R10.3 million which will result in a fully funded position.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

No further information could be obtained.

None of the above mentioned plans are State Plans.

43 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

43.1 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

43.2 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by Frances Baard District Municipality.

43.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

43.4 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Municipal Capacity	Purchases for the Year	Purchases for the Year
None declared by Councillors / Managers			-	-
None declared	Ms V Ximba	Executive Mayor	-	-
None declared	Mr P Marekwa	Executive Mayor	-	-
None declared	Mr M B Silingile	Speaker	-	-
None declared	Ms U Buda	Speaker	-	-
None declared	Mr M Mokgatlhanyane	Councillor	-	-
None declared	Ms C Mothibi	Councillor	-	-
None declared	Ms M Mathe	Councillor	-	-
None declared	Ms M Motsamai	Councillor	-	-
None declared	Ms N Shushu	Councillor	-	-
None declared	Ms D Bishop	Councillor	-	-
None declared	Mr V Ndelela	Councillor	-	-
None declared	Mr M Kaars	Councillor	-	-
None declared	Ms D Benjamin	Councillor	-	-
None declared	Mr P Louw	Councillor	-	-
None declared	Ms A Siwisa	Councillor	-	-
None declared	Ms A Moremong	Councillor	-	-
None declared	Mr J Musie	Councillor	-	-
None declared	Ms D Settholo	Councillor	-	-
None declared	Mr P Thabane	Councillor	-	-
None declared	Mr B Springbok	Councillor	-	-
None declared	Ms T Mpanza	Councillor	-	-
None declared	Ms L Duba	Councillor	-	-
None declared	Ms M Beylefeld	Councillor	-	-
None declared	Mr S Griqua	Councillor	-	-
None declared	Mr S N Kika	Councillor	-	-
None declared	Mr D M Macinga	Councillor	-	-
None declared	Ms M A Mahutle	Councillor	-	-
None declared	Ms H Morometse	Councillor	-	-
None declared	Mr K Zalisa	Councillor	-	-
None declared	Ms Z Bogatsu	Municipal Manager	-	-
None declared	Ms O Moseki	Acting Executive Director: Financial Services	-	-
None declared	Mrs KG Gaborone	Executive Director: Administration	-	-
None declared	Mr P van der Walt	Executive Director: Infrastructure Services	-	-
None declared	Mr D Makaleni	Acting Executive Director: Infrastructure Services	-	-
None declared	Mr F Netshivhodza	Acting Executive Director: Planning & Development	-	-
None declared	Mr. WMS Calitz	Audit Committee Chairperson	-	-
None declared	Mr. T Mogoli	Audit Committee Member	-	-
None declared	Mr. G Botha	Audit Committee Member	-	-
Inspired Change Consulting (PTY) LTD	D Mocumi	Chief Clerk: Archival Services	-	405 000
Total Purchases			-	405 000

44 CONTINGENT LIABILITIES

The municipality was not engaged in any transaction or event during the year under review involving Contingent Liabilities.

45 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

46 IN-KIND DONATIONS AND ASSISTANCE

Mr. G Botha served on the audit committee for the 2017/18 financial year, he is a government employee and therefore is not entitled to receive any compensation for duties performed as a member of the audit committee.

47 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

48 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.

49 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 36).

50 GOING CONCERN ASSESSMENT

The municipality's cash flow forecast for the year to 30 June 2019 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2018 was taken into consideration during the review.

APPENDIX A
FRANCES BAARD DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2017	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2018
	R				R	R	R	R
GOVERNMENT LOANS	15 000 000	10,9%	25869	30-Jun-19	4 663 622	-	2 208 206	2 455 416
Total Government Loans	15 000 000				4 663 622	-	2 208 206	2 455 416
OTHER LOANS								
Total Other Loans	-				-	-	-	-
TOTAL EXTERNAL LOANS	15 000 000				4 663 622	-	2 208 206	2 455 416

ANNUITY LOANS:

DBSA:

A fixed term loan over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009. The remaining balance on the loan has been transferred to payables.

APPENDIX B
FRANCES BAARD DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Cost / Revaluation					Under Construction				Accumulated Depreciation						Impairment	Carrying
	Opening	Additions	Transfers	Disposals	Closing	Opening	Additions	Transferred	Closing	Opening	Additions	Disposals	Transfers	Other Changes	Closing	Closing	
Land and Buildings	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land																	
Distribution Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets																	
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zoo, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Community Assets	1 108 823	-	-	-	1 108 823	-	-	-	-	833 760	113 613	-	-	-	947 373	-	161 450
	1 108 823	-	-	-	1 108 823	-	-	-	-	833 760	113 613	-	-	-	947 373	-	161 450
Other Assets																	
Computer Equipment	5 121 863	312 670	-	(417 978)	5 016 555	-	-	-	-	3 596 037	540 964	(393 815)	-	(0)	3 743 186	-	1 273 369
Furniture and Office Equipment	7 359 033	150 362	-	(448 416)	7 060 979	-	-	-	-	5 848 991	547 750	(411 629)	-	-	5 985 111	-	1 075 868
Machinery and Equipment	4 562 378	14 582	-	-	4 576 960	1 754 136	-	-	1 754 136	3 233 448	281 424	-	-	-	3 514 872	-	2 816 223
Other	50 665 431	9 430	-	-	50 674 861	5 651 128	3 229 112	-	8 880 241	18 190 243	679 595	-	-	-	18 869 838	-	40 685 265
	67 708 705	487 043	-	(866 393)	67 329 355	7 405 264	3 229 112	-	10 634 376	30 868 720	2 049 732	(805 445)	-	(0)	32 113 006	-	45 850 725
Transport Assets																	
Transport Assets	9 300 947	-	-	(11 405)	9 289 541	-	-	-	-	4 379 756	1 541 884	(9 819)	0	-	5 911 821	-	3 377 720
	9 300 947	-	-	(11 405)	9 289 541	-	-	-	-	4 379 756	1 541 884	(9 819)	0	-	5 911 821	-	3 377 720
Total	78 118 475	487 043	-	(877 798)	77 727 719	7 405 264	3 229 112	-	10 634 376	36 082 236	3 705 228	(815 264)	0	(0)	38 972 201	-	49 389 895

FRANCES BAARD DISTRICT MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2018

Description	Cost / Revaluation					Under Construction				Accumulated Amortisation						Impairment	Carrying
	Opening	Additions	Transfers	Disposals	Closing	Opening	Additions	Transferred	Closing	Opening	Additions	Disposals	Transfers	Other Changes	Closing	Closing	
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	1 555 958	-	-	-	1 555 958	-	-	-	-	958 954	166 138	-	-	-	1 125 093	-	430 865
Patents, Licences, Copyrights, Brand	1 564 160	149 000	(1 564 160)	-	149 000	-	-	-	-	931 162	-	(931 162)	-	-	-	-	149 000
	3 120 118	149 000	(1 564 160)	-	1 704 958	-	-	-	-	1 890 117	166 138	(931 162)	-	-	1 125 093	-	579 865

FRANCES BAARD DISTRICT MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2018

Description	Cost / Revaluation					Under Construction				Accumulated Amortisation						Impairment	Carrying
	Opening	Additions	Transfers	Disposals	Closing	Opening	Additions	Transferred	Closing	Opening	Additions	Disposals	Transfers	Other Changes	Closing	Closing	
Heritage Assets	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Culturally Significant Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sculptures	631 417	-	-	-	631 417	-	-	-	-	-	-	-	-	-	-	-	631 417
	631 417	-	-	-	631 417	-	-	-	-	-	-	-	-	-	-	-	631 417
Total Asset Register																	
	81 870 009	636 043	(1 564 160)	(877 798)	80 064 094	7 405 264	3 229 112	-	10 634 376	37 972 353	3 871 367	(1 746 426)	0	(0)	40 097 293	-	50 601 177

APPENDIX C
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)	Description	2018 Actual Income	2018 Budgeted Income	2018 Actual Expenditure	2018 Budgeted Expenditure	2018 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
-	420 000	25 219 675	27 235 324	(25 219 675)	Municipal Governance and Administration	-	-	26 630 680	32 965 770	(26 630 680)
104 665 899	103 843 350	37 141 623	44 511 476	67 524 276	Executive and Council	112 721 346	115 208 840	34 133 402	43 038 564	78 587 945
-	-	-	-	-	Finance and Administration	-	-	-	-	-
-	-	-	-	-	Internal Audit	-	-	-	-	-
-	-	-	-	-	Community and Public Safety	-	-	-	-	-
1 015 000	1 457 522	5 170 131	5 759 040	(4 155 131)	Community and Social Services	-	-	-	-	-
-	-	-	-	-	Public Safety	345 462	368 000	5 883 625	7 946 630	(5 538 163)
800 000	800 000	5 469 099	5 551 020	(4 669 099)	Sport and Recreation	-	-	-	-	-
-	-	-	-	-	Housing	-	800 000	4 636 411	6 820 800	(4 636 411)
-	-	-	-	-	Health	-	-	-	-	-
-	-	2 904 580	3 246 510	(2 904 580)	Economic and Environmental Services	-	-	3 998 882	6 501 110	(3 998 882)
14 584 999	12 585 000	56 401 762	68 494 912	(41 816 763)	Environmental Protection	-	-	39 616 252	50 123 556	(26 953 376)
902 400	1 009 113	776 917	984 570	125 483	Planning and Development	12 662 876	13 052 000	-	-	-
-	-	-	-	-	Road Transport	-	-	-	-	-
-	-	-	-	-	Trading Services	-	-	-	-	-
-	-	-	-	-	Energy Sources	-	-	-	-	-
-	-	-	-	-	Waste Management	-	-	-	-	-
-	-	-	-	-	Waste Water Management	-	-	-	-	-
-	-	-	-	-	Water Management	-	-	-	-	-
-	-	3 896 259	5 587 793	(3 896 259)	Other	204 080	307 820	3 731 224	5 181 500	(3 527 144)
121 968 299	120 114 985	136 980 045	161 370 645	(15 011 747)	Sub-Total	125 933 764	129 736 660	118 630 476	152 577 930	7 303 288
-	30 000	429 444	210 000	(429 444)	Gains and Losses	-	(2 029 330)	29 393	250 000	(29 393)
121 968 299	120 144 985	137 409 490	161 580 645	(15 441 191)	Total	125 933 764	127 707 330	118 659 869	152 827 930	7 273 895

APPENDIX D(2)
FRANCES BAARD DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2018

Description	2017/18										2016/17
	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
REVENUE - MUNICIPAL	R	R	R	R		R	R	R	R	R	R
Executive & Council	-	-	-	-	-	-	-	-	0.00	0.00	-
Municipal Manager	-	-	-	-	-	-	-	-	0.00	0.00	-
Budget And Treasury	111 288 260	1 960 290	113 248 550	1 960 290	115 208 840	112 721 346	-	(2 487 494)	97,84	101,29	104 665 899
Corporate Services	368 000	-	368 000	-	368 000	345 462	-	(22 538)	93,88	93,88	1 015 000
Planning & Development	50 000	128 910	178 910	128 910	307 820	204 080	-	(103 740)	66,30	408,16	200 000
Project Man And Advisory Serv	13 852 000	-	13 852 000	-	13 852 000	12 662 876	-	(1 189 124)	91,42	91,42	16 087 399
Total Revenue - Standard	125 558 260	2 089 200	127 647 460	2 089 200	129 736 660	125 933 764	-	(7 605 792)	6 027,85	100,30	121 968 299
EXPENDITURE - MUNICIPAL											
Executive & Council	11 431 360	289 020	11 720 380	289 020	12 009 400	10 469 643	-	(1 539 757)	87,18	91,59	8 792 212
Municipal Manager	16 935 590	2 010 390	18 945 980	2 010 390	20 956 370	16 161 036	-	(4 795 334)	77,12	95,43	16 427 463
Budget And Treasury	22 660 700	586 370	23 247 070	586 370	23 833 440	16 770 364	-	(7 063 076)	70,36	74,01	21 200 268
Corporate Services	32 103 050	774 907	32 877 957	774 907	33 652 864	27 245 544	-	(6 407 320)	80,96	84,87	24 036 060
Planning & Development	18 350 810	426 630	18 777 440	426 630	19 204 070	12 743 368	-	(6 460 702)	66,36	69,44	14 671 701
Project Man And Advisory Serv	35 546 320	3 687 733	39 234 053	3 687 733	42 921 786	35 240 520	-	(7 681 266)	82,10	99,14	51 872 337
Total Expenditure - Standard	137 027 830	7 775 050	144 802 880	7 775 050	152 577 930	118 630 476	-	(67 894 908)	1 525,78	86,57	137 000 040
Gains and Losses	(1 779 330)		250 000		2 279 330	29 393	-	(2 249 937)	1,29	0.00	429 444
Surplus/(Deficit) for the year	(9 690 240)	(7 715 180)	(17 405 420)	(7 715 180)	(25 120 600)	7 273 895	-	32 394 495	0.00	0.00	(15 461 186)

APPENDIX D (3)
FRANCES BAARD DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Description	2017/18												Restated Outcome
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
	R	R	R	R	R	R		R	R	R	R	R	R
Revenue from Non-exchange Transactions													
Transfers and Subsidies	118 569 000	128 910	118 697 910	-	118 697 910	128 910	118 826 820	117 698 568	-	(1 128 252)	99,05	99,27	114 012 528
Revenue from Exchange Transactions													
Rental from Fixed Assets	1 227 260	-	1 227 260	-	1 227 260	-	1 227 260	1 003 158	-	(224 102)	81,74	81,74	1 009 828
Interest, Dividends and Rent on Land Earned	5 262 000	-	5 262 000	-	5 262 000	-	5 262 000	5 830 289	-	568 289	110,80	110,80	6 805 233
Operational Revenue	-	-	-	-	-	-	-	-	-	-	0,00	0,00	-
Gains on Disposal of Property, Plant and Equipment	2 029 330	(2 029 330)	-	-	-	(2 029 330)	(2 029 330)	-	-	2 029 330	0,00	0,00	-
Total Revenue (excluding Capital Transfers & Capital Grants)	127 587 590	(1 900 420)	125 687 170	-	125 687 170	(1 900 420)		124 817 752	-	1 031 002	0,00	97,83	121 968 299
EXPENDITURE													
Employee Related Costs	65 844 680	5 394 880	71 239 560	-	71 239 560	5 394 880	76 634 440	57 917 444	-	(18 716 996)	75,58	87,96	59 488 404
Remuneration of Councillors	6 369 050	6 910	6 375 960	-	6 375 960	6 910	6 382 870	6 566 732	-	183 862	102,88	103,10	5 950 489
Depreciation and Amortisation	3 290 420	-	3 290 420	-	3 290 420	-	3 290 420	3 877 476	-	587 056	117,84	117,84	3 926 513
Impairment Losses	3 000	-	3 000	-	3 000	-	3 000	88 121	-	85 121	2 937,35	2 937,35	2 219
Interest, Dividends and Rent on Land	487 000	-	487 000	-	487 000	-	487 000	451 109	-	(35 891)	92,63	92,63	673 822
Contracted Services	19 234 780	411 320	19 646 100	-	19 646 100	411 320	20 057 420	12 504 137	-	(7 553 283)	62,34	65,01	9 628 704
Inventory Consumed	1 061 210	243 780	1 304 990	-	1 304 990	243 780	1 548 770	1 454 790	-	(93 980)	93,93	137,09	5 207 187
Transfers and Subsidies Paid	22 994 500	3 129 613	26 124 113	-	26 124 113	3 129 613	29 253 726	24 795 809	-	(4 457 917)	84,76	107,83	38 663 697
Operating Leases	-	-	-	-	-	-	-	-	-	-	0,00	0,00	-
Operational Costs	17 743 190	(3 371 743)	14 371 447	-	14 371 447	(3 371 743)	10 999 704	9 858 846	-	(1 140 858)	89,63	55,56	13 439 011
Statutory Payments other than Taxes	250 000	-	250 000	-	250 000	-	250 000	-	-	(250 000)	0,00	0,00	-
Loss on Disposal of Property, Plant and Equipment	250 000	-	250 000	-	250 000	-	250 000	29 393	-	(220 607)	11,76	11,76	429 444
Total Expenditure	137 527 830	5 814 760	143 342 590	-	143 342 590	5 814 760		117 543 857	-	(31 613 493)	2 021,47	85,47	137 409 490
Surplus/(Deficit) for the Year	(9 940 240)	-	(17 655 420)	-	(17 655 420)	-	-	7 273 895	-	-	-	-	(15 441 191)

APPENDIX E
FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
30 June 2018	R	R	R	R	R	R	R	R	R	R	R	R
Mayor												
Mr P Marekwa	70 049	-	-	-	-	-	-	-	-	-	-	70 049
Miss BV Ximba	568 160					189 387	37 400				3 300	798 246
Speaker												
Mr MB Silingile	418 730	-	-	-	-	139 572	34 453	-	-	-	3 040	595 795
Ms HU Buba	-	-	-	-	3 060	-	-	-	-	-	-	3 060
Executive Committee												
Miss EM Mathe	612 844						40 800				3 600	657 244
Ms ME Motsamai	459 633					153 211	40 800				3 600	657 244
Miss KC Mothibi	459 633					153 211	40 800				3 600	657 244
Mr ME Mokgathanyane	459 633					153 211	40 800				3 600	657 244
Miss LN Shushu	265 439					79 275						344 714
Chairperson MPAC												
MS PD Bishop	221 468					73 822						295 290
Other Councillors												
Mr VE Ndlwla	261 529	-	-	-	-	-	40 800	-	-	-	3 600	305 929
Mr M Kaars	196 147	-	-	-	-	65 382	40 800	-	-	-	3 600	305 929
Ms D Benjamin	256 080	-	-	-	-	5 449	40 800	-	-	-	3 600	305 929
Mr P Louw	202 109	-	-	-	-	59 420	40 800	-	-	-	3 600	305 929
Ms A Siwisa	261 529	-	-	-	-	-	40 800	-	-	-	3 600	305 929
Ms A Moremong		-	-	-	7 239	2 413	-	-	-	-	-	9 652
Mr J Musie		-	-	-	9 652		-	-	-	-	-	9 652
Ms D Setholo		-	-	-	19 380		-	-	-	-	-	19 380
Mr B Springbok		-	-	-	28 560		-	-	-	-	-	28 560
Ms KM Sebegu		-	-	-	4 080		-	-	-	-	-	4 080
Ms L Duba		-	-	-	9 180		-	-	-	-	-	9 180
Ms M Beyliefeld	-	-	-	-	20 400	-	-	-	-	-	-	20 400
Mr S Griqua	-	-	-	-	25 500	-	-	-	-	-	-	25 500
Mr S N Kika	-	-	-	-	26 520	-	-	-	-	-	-	26 520
Ms LN Shushu	-	-	-	-	-	-	-	-	-	-	-	-
Mr D M Macinga	-	-	-	-	25 683	-	-	-	-	-	-	25 683
Ms M A Mahutie	-	-	-	-	25 683	-	-	-	-	-	-	25 683
Miss H Morometse	-	-	-	-	9 652	-	-	-	-	-	-	9 652
Miss TH Mpazana					5 100							5 100
Miss BV Ximba	35 572					5 739	3 400				300	45 011
Mr K Zalisa	-	-	-	-	25 683	-	-	-	-	-	-	25 683
Mr MP Thabane					11 220						-	11 220
Total for Councillors	4 748 556	-	-	-	256 592	1 080 090	442 453	-	-	-	39 040	6 566 732

APPENDIX E
FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
Municipal Manager Ms ZM Bogatsu	1 373 622	-	99 369	130 920	-	192 592	24 000	-	232 523	-	548 269	2 601 295
Director: Financial Services Miss OP Moseki (Acting July 2017 And September to November 2017)	210 824	78 950	53 333	63 466		41 460	6 000	3 184	44 102	12 649	4 266	518 233
Director: Project Management & Advisory Services Mr DV Makaleni (Acting 01 December To 29 February 2018)	138 774	-	-	-	-	37 260	4 500	2 390	32 452	8 326	2 310	226 013
Mr PJ van der Walt	242 025	26 153		63 466		19 500	4 500				81 225	436 869
Director: Administration Mrs K Gaborone	1 046 101	112 166	-	-	-	-	19 500	-	-	307 754	-	1 485 521
Ditrector: Planning & Development Mr F Netshivhodza	231 067		46 258			62 100	7 500	3 983	48 741	14 555	4 968	419 171
Total for Senior Managers	3 242 413	217 268	198 960	257 851	-	352 912	66 000	9 557	357 819	343 285	641 038	5 687 102
Total for Management	7 990 969	217 268	198 960	257 851	256 592	1 433 002	508 453	9 557	357 819	343 285	680 078	12 253 834

APPENDIX E
FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
30 June 2017	R	R	R	R	R	R	R	R	R	R	R	R
Mayor												
Ximba BM	713 050	-	-	-	-	-	-	-	-	-	-	713 050
Moloi MM	89 920											89 920
Speaker												
Maribe BM	71 909	-	-	-	-	-	-	-	-	-	-	71 909
Silingile MB	586 700	-	-	-	-	-	-	-	-	-	-	586 700
Executive Committee												
Johnson W	67 572	-	-	-	-	-	-	-	-	-	-	67 572
Mathe EM	531 919	-	-	-	-	-	-	-	-	-	-	531 919
Molefi PR	67 572	-	-	-	-	-	-	-	-	-	-	67 572
Mokgathanyane ME	532 102	-	-	-	-	-	-	-	-	-	-	532 102
Mothibi KC	531 605	-	-	-	-	-	-	-	-	-	-	531 605
Motsamai ME	532 102	-	-	-	-	-	-	-	-	-	-	532 102
Nicholas T	67 572	-	-	-	-	-	-	-	-	-	-	67 572
Rifles K	40 537	-	-	-	-	-	-	-	-	-	-	40 537
Shushu LN	292 750	-	-	-	-	-	-	-	-	-	-	292 750
Silingile MB	50 930	-	-	-	-	-	-	-	-	-	-	50 930
Chairperson MPAC												
Bishop PD	227 743											227 743
Ximba BV	28 084											28 084
Other Councillors												
Adams CJS		-	-	-	1 004	-	-	-	-	-	-	1 004
Benjamin D	243 023	-	-	-	-	-	-	-	-	-	-	243 023
Beyleveld MJ		-	-	-	15 392	-	-	-	-	-	-	15 392
Bishop PD		-	-	-	962	-	-	-	-	-	-	962
Boqo AN		-	-	-	2 886	-	-	-	-	-	-	2 886
Duba If		-	-	-	15 392	-	-	-	-	-	-	15 392
Fourie OC		-	-	-	2 886	-	-	-	-	-	-	2 886
Griqua SH		-	-	-	15 392	-	-	-	-	-	-	15 392
Hale EK		-	-	-	3 848	-	-	-	-	-	-	3 848
Kaars M	273 096	-	-	-	-	-	-	-	-	-	-	273 096
Kika SN		-	-	-	16 354	-	-	-	-	-	-	16 354
Kok GR		-	-	-	30 102	-	-	-	-	-	-	30 102
Koopman GT	-	-	-	-	3 848	-	-	-	-	-	-	3 848
Louw PJF	243 023	-	-	-	-	-	-	-	-	-	-	243 023
Macinga DM	-	-	-	-	21 103	-	-	-	-	-	-	21 103

APPENDIX E
FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
Mathutie MA	-	-	-	-	21 103	-	-	-	-	-	-	21 103
Moremong AO	-	-	-	-	9 105	-	-	-	-	-	-	9 105
Moreometse H	-	-	-	-	7 410	-	-	-	-	-	-	7 410
Mpampi ZJ	-	-	-	-	-	-	-	-	-	-	-	-
Mapanza TH	-	-	-	-	12 506	-	-	-	-	-	-	12 506
Mthukwane GK					2 886							2 886
Musi JS					7 808							7 808
Ndela VE	243 023											243 023
Nel PJ					1 004							1 004
Pholoholo MI					30 102							30 102
Plaatje OB					3 848							3 848
Setloholo DT					13 468							13 468
Siwisa AM	243 023											243 023
Smit J					30 102							30 102
Springbok B					18 278							18 278
Steyn L												-
Thabane MP					15 392							15 392
Tsimakwane E					2 886							2 886
van der Merwe DJP					3 848							3 848
Voster PJ					2 886							2 886
Witkoei S					2 670							2 670
Zalisa					20 712							20 712
Total for Councillors	5 677 255	-	-	-	335 183	-	-	-	-	-	-	6 012 437
Municipal Manager												
Ms ZM Bogatsu	1 312 404	-	109 367	175 235	-	192 592	24 000	-	-	-	-	1 813 598
Director: Financial Services												
Miss OP Moseki (Acting)	578 691	-	48 508	120 673	-	149 040	11 944	8 904	-	22 977	-	940 736
Director: Project Management & Advisory Services												
Mr PJ van der Walt	828 651	90 665	-	120 673	-	78 000	18 000	-	-	-	-	1 135 989
Director: Administration												
Mrs K Gaborone	75 554	-	-	-	-	-	2 000	-	-	16 467	-	94 021
Ditrector: Planning & Development												
Mr F Netshivhodza	169 317					49 680	5 855	742		9 576		235 170
Mr FS Mdee				124 725								124 725
Total for Senior Managers	2 964 618	90 665	157 875	541 306	-	469 312	61 798	9 646	-	49 020	-	4 344 239
Total for Management	8 641 872	90 665	157 875	541 306	335 183	469 312	61 798	9 646	-	49 020	-	10 356 677

APPENDIX F
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE

Year Ended 30 June 2018

Description	Executive and Council	Finance and Administration	Public Safety	Housing	Environmental Protection	Planning and Development	Road Transport	Other	Total for Municipality
REVENUE	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions									
Transfers and Subsidies	-	105 399 150	345 462	-	-	11 749 876	-	204 080	117 698 568
Revenue from Exchange Transactions									
Sales of Goods and Rendering of Services	-	285 736	-	-	-	-	-	-	285 736
Rental from Fixed Assets	-	90 158	-	-	-	913 000	-	-	1 003 158
Interest, Dividends and Rent on Land Earned	-	5 830 289	-	-	-	-	-	-	5 830 289
Total Revenue	-	111 605 334	345 462	-	-	12 662 876	-	204 080	124 817 752
EXPENDITURE									
Employee Related Costs	14 419 709	20 724 480	3 662 596	3 722 461	2 926 529	10 967 582	-	1 494 086	57 917 444
Remuneration of Councillors	6 566 732	-	-	-	-	-	-	-	6 566 732
Depreciation and Amortisation	200 949	2 777 095	503 234	30 600	14 993	315 029	-	35 576	3 877 476
Interest, Dividends and Rent on Land	-	451 109	-	-	-	-	-	-	451 109
Contracted Services	1 330 327	3 495 396	1 107 964	597 573	227 416	4 471 909	-	1 273 552	12 504 137
Inventory Consumed	331 758	707 699	14 257	25 240	15 813	343 703	-	16 319	1 454 790
Transfers and Subsidies Paid	228 595	676 199	249 550	-	523 799	22 488 471	-	629 195	24 795 809
Operational Costs	3 165 646	5 189 523	152 468	167 264	106 495	855 034	-	222 416	9 858 846
Loss on Disposal of Property, Plant and Equipment	587	26 910	190	1 586	-	120	-	-	29 393
Total Expenditure	26 332 422	34 048 412	5 690 259	4 544 725	3 815 046	39 441 848	-	3 671 144	117 543 857
Surplus/(Deficit) for the Year	(26 332 422)	77 556 922	(5 344 797)	(4 544 725)	(3 815 046)	(26 778 972)	-	(3 467 064,49)	7 273 895

APPENDIX F
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)

Year Ended 30 June 2017

Description	Executive and Council	Finance and Administration	Public Safety	Housing	Environmental Protection	Planning and Development	Road Transport	Other	Total for Municipality
	R	R	R	R	R	R	R	R	R
REVENUE									
Revenue from Non-exchange Transactions									
Transfers and Subsidies	-	97 612 528	1 015 000	800 000	-	14 584 999	-	-	114 012 528
Revenue from Exchange Transactions	-	-	-	-	-	-	-	-	-
Sales of Goods and Rendering of Services	-	140 709	-	-	-	-	-	-	140 709
Rental from Fixed Assets	-	107 428	-	-	-	-	902 400	-	1 009 828
Interest, Dividends and Rent on Land Earned	-	6 805 233	-	-	-	-	-	-	6 805 233
Total Revenue	-	104 665 899	1 015 000	800 000	-	14 584 999	902 400	-	121 968 299
EXPENDITURE									
Employee Related Costs	14 559 082	21 884 388	3 177 345	4 172 219	2 445 161	11 819 296	268 578	1 162 332	59 488 404
Remuneration of Councillors	5 950 489	-	-	-	-	-	-	-	5 950 489
Depreciation and Amortisation	150 375	2 505 544	689 358	38 599	19 787	284 896	210 838	27 115	3 926 513
Impairment Losses	2 219	-	-	-	-	-	-	-	2 219
Interest, Dividends and Rent on Land	-	673 822	-	-	-	-	-	-	673 822
Contracted Services	1 083 059	600 971	657 034	1 149 096	52 344	4 266 225	-	1 819 975	9 628 704
Inventory Consumed	529 694	3 971 742	132 893	32 823	11 239	262 432	253 350	13 013	5 207 187
Transfers and Subsidies Paid	82 331	966 665	388 638	-	75 381	36 528 607	-	622 075	38 663 697
Operational Costs	2 862 425	6 538 490	124 862	76 362	300 667	3 240 306	44 151	251 749	13 439 011
Loss on Disposal of Property, Plant and Equipment	1 587	426 846	823	-	-	188	-	-	429 444
Total Expenditure	25 221 262	37 568 469	5 170 954	5 469 099	2 904 580	56 401 950	776 917	3 896 259	137 409 490
Surplus/(Deficit) for the Year	(25 221 262)	67 097 430	(4 155 954)	(4 669 099)	(2 904 580)	(41 816 951)	125 483	(3 896 259,31)	(15 441 191)